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ABSTRACT

This four-week unit on the American economic system for secondary students is intended to be a basic literacy unit in economics and to serve as a "sampler kit" demonstrating how economics can be taught interestingly, imaginatively, and with intellectual honesty to the subject matter. The unit's goals for students include ability to list the major characteristics of the American economy, apply basic economic analysis to current economic situations, list the basic economic tools used to stabilize the economy, and review present economic trends through a personal and societal perspective. Among the teaching methods suggested are brainstorming, creating models, simulations, short lectures, interviews, short readings, and case studies. The unit is comprised of 12 activities. Student goals, class materials needed, specific teacher instructions, and questions with which to stimulate classroom discussion are provided for each activity. Also provided are pre- and posttests and quizzes, a test of basic economic concepts and their definitions, 18 expectations which are considered a minimum competency requirement in the achievement of economic literacy, and a bibliography of additional resource materials. (Author/RM)

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INTERDEPENDENCE

to maintain a balance

A LITERACY UNIT ON

THE AMERICAN ECONOMIC SYSTEM

Prepared under the supervision of

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INTRODUCTION

The enclosed teaching unit on the American Economic System was developed through the cooperative efforts of the office of Superintendent of Public Instruction and the Washington State Council on Economic Education. It has two major goals.

First, it is intended to be a basic literacy unit on the American economic system. The concepts identified in the unit are key concepts in all economic analysis. If students learn the concepts and acquire skill in using them, they will have a greater competency in understanding economic events than most adults possess in this country at this time. Most citizens do not possess a clear understanding of how the United States' economy works. The problems should be reduced as young people are exposed to teaching materials, strategies, and content represented in this unit.

The second major goal of the unit was to create a "sampler" kit. The unit does not contain "all" the needed information about this economic system. It does not develop the key ideas in the depth they deserve. It does not illustrate all the innovative ways economics can be taught and learned. What it does contain is a series of beginnings or samples. Each concept and activity was selected to interest the teacher and the student, to whet the appetite of the participant so he/she might wish to do more in this area. The writing team tried to make this package an example of how economics can be taught interestingly, imaginatively, and with intellectual honesty to the subject matter. We hope that you find the "sample" palatable enough to want more and to build upon the work enclosed between these two covers.

These materials were developed by:

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A LITERACY UNIT

ON

THE AMERICAN ECONOMIC SYSTEM

GOALS:

The student

1. is able to list the major characteristics of the American economy.
2. is able to apply basic economic analysis to current economic situations.
3. is able to list the basic economic tools used to stabilize the economy.
4. is able to review present economic trends through a personal and societal perspective.
5. values the opportunity to make individual and group economic decisions within our system.

CONCEPTS TO BE TAUGHT:

Scarcity and Opportunity Cost
Market
Interdependence

WARNING TO TEACHER:

The writers of this program have carefully identified the BASIC KNOWLEDGE EXPECTATIONS that each student is expected to learn in the three week period. It is their intent that the pre test and post test on basic knowledge measure the student's progress in that element only. The remainder of the unit is to bring understanding of that basic information to the students. The final comprehension test is provided to measure whether or not the students can make application of what they have learned.

The 18 expectations beginning on page 7 are seen as a minimum competency requirement in the achievement of literacy. Reproduce one copy for each student and distribute immediately after the pre test. The Big Apple simulation requires considerable time for preparation of materials. We suggest you plan the activity well in advance.

TESTING

1. We suggest that the pre test, the 18 questions that make up the Basic Knowledge Expectations, be given prior to any teaching in this unit.

2. The approximate date of the first quiz should be given to the students at the beginning of the unit. They should be told that it will cover the expectation question under the major concept "scarcity." (This is to discourage the student putting off learning the "expectations.")

3. Announce about a week in advance the second quiz, which will cover the expectation questions under the major concept "market."

4. Announce about a week in advance the final examination, which is in two parts.
   a. Post test 18 expectation questions.
   b. Comprehension Test.

CALENDAR OF ACTIVITIES

1st week

Day	Time	TEACHER ACTIVITY	STUDENT ACTIVITY
MONDAY	20	. Pre Test "A Literacy Unit on the American Economic System"	
	15	. Hand out "Basic Knowledge Expectations" - Explain . Announce Quiz on "Scarcity" in one week	
TUESDAY	15	. Activity #1 Brainstorming "What is Economics?"	. Students contribute ideas and then work in groups on categorizing information
	25	Task II - Classifying Economic Knowledge	
	10	. Activity #2 Hand Out "Price Checklist" Homework	. Students collect prices from different stores over 3 week period
WEDNESDAY	20	. Optional Activity "Montage"	. Students work in groups cut/paste
	25	. Activity #3 "Models"	. Student read/make illustration of model
	5	. Activity #4 Hand Out Homework "$2,000 Windfall"	. Student selects choices on how to use windfall
THURSDAY	15	. Activity #4 Debriefing of Windfall Exercise *	. Students answer questions/explain choices
	35	. Activity #5 "Opportunity Cost Worksheet" *	. Students complete worksheet on benefits & costs in making a choice & explaining choice
		. Remind students to keep price checklist for Friday, Saturday	
FRIDAY		OPEN DAY	OPEN DAY

* Denotes an addition to the model chart is necessary. Refer to the MODEL CHART "Your Tool For Organization and Review."

CALENDAR OF ACTIVITIES

2nd week

Day	Time	TEACHER ACTIVITY	STUDENT ACTIVITY
MONDAY	15 10 15 *	. Activity #6 "How Economist Classifies Resources" . 6A "Resources Worksheet" . 6B "Pizza Signals"	. Students listen to lecture on "3 Basic Economic Questions & types of resources" . Students complete worksheets 6A, 6B . Students debrief each exercise in class
TUESDAY	10 40 . Hand out interview sheets for each group	. Quiz I . Activity #7 "Student Interview Exercise on Incentives"	. Students take expectations & and matching quiz . Students individually take incentives interview . Students complete interview form on incentives
WEDNESDAY	50 . Debrief group results on interviews	. Tally Student Interviews, Form 7B	. Students work in groups on results of interviews
THURSDAY	50	. Continue with incentives if needed, review current events, etc. * OPEN DAY	. Students debrief
FRIDAY	50	. Activity #8 Introduce "The Big Apple" Play Rounds 1, 2, & 3 . Hand Out Bar Graph Worksheet . Record class rally after each round	. Students participate as buyers/sellers in the market place . Students complete individual record sheet . Complete bar graph & questions for debriefing

* Denotes an addition to the model chart is necessary. Refer to the MODEL CHART "Your Tool For Organization and Review."

CALENDAR OF ACTIVITIES

3rd week

Day	Time	TEACHER ACTIVITY	STUDENT ACTIVITY
MONDAY	20	· Continue with Rounds 4 and 5 "The Big Apple" * Debrief after each round	. Students debrief "Big Apple"
TUESDAY	20	. Quiz II OPEN DAY	. Students take expectations and matching quiz OPEN DAY
WEDNESDAY	35	· Activity #9 "Labor/Management Game"	. Students participate in negotiations
		* Debrief Labor/Management	. Debriefing of Labor/Management Game
	15	. Teacher Reading for Activity #10	
THURSDAY	30	. Activity #10 Public Auction: Inflation/Deflation	. Students bid for candy bars
	20	. Debrief	. Debriefing of Public Auction: Inflation/Deflation
		"Remind students that price checklist is due"	
FRIDAY	15	. Activity #2 Debrief Price Checklist	. Students turn in Price Checklist after debriefing
	15	. Activity #11 "Economic Policy Decision"	. Students read "Economic Policy Decision"
		. Hand Out Student Reading - Form 11A	

* Denotes an addition to the model chart is necessary. Refer to the MODEL CHART "Your Tool for Organization and Review."

CALENDAR OF ACTIVITIES

4th week

Day	Time	TEACHER ACTIVITY	STUDENT ACTIVITY
MONDAY	30	. Activity #11, Task II "You are An Economic Advisor" * Debrief	. Students develop fiscal/monetary policy for 3 case studies
	30	. Introduce the Social Cost Simulation . Discuss role positions	. Students divide into role groups . Students develop role characteristics
TUESDAY	45	. Activity #12 Create the City Council Meeting Environment . Debrief Social Cost Activity *	. Through role playing - discuss the problem and reach a solution . Students debrief
WEDNESDAY		OPEN DAY	OPEN DAY
THURSDAY		. Post Test . Comprehension Test Open	. Student review . Student complete test

* Denotes an addition to the model chart is necessary. Refer to the MODEL CHART "Your Tool for Organization and Review."

BASIC KNOWLEDGE EXPECTATIONS

SCARCITY AND OPPORTUNITY COSTS

1. What is the basic problem faced by every economic system?

   Economic resources are limited but people's desires are unlimited. It is impossible to satisfy everyone's economic wishes.

2. What basic questions must every economic system answer?

   What will be produced?
   How will it be produced?
   Who will receive the production?

3. What are four basic economic resources?

   Land - natural resources
   Labor - physical strength, intelligence, and organized skill
   Capital - man-made resources (tools)
   Time

4. What is "opportunity cost"?

   All economic decisions require choices between alternative actions. In economic decisions any alternative not chosen (foregone) represents an opportunity cost. This cost is not measured in dollars.

MARKET

5. What is a capitalistic economic system?

   It is a system that relies upon individuals to make private decisions on how to solve basic economic problems. Most exchanges of goods, services, and money take place in markets.

6. What are major characteristics of a capitalistic economy?

   a. The means of production are privately owned (factories, stores, farms).
   b. Individuals own property and this right is protected by law.
   c. Individuals are permitted to pursue their economic self-interest.
   d. Competition exists among buyers and sellers as they pursue their economic self-interest.
   e. Markets exist as places where buyers and sellers exchange goods and services.

7. How does the American Economic System compare with a capitalistic economic system?

   It is a modified capitalistic economy. The American system has some government involvement in the economy. The government owns property, regulates individual economic behavior, and buys economic goods in markets.

8. Define the following economic terms. They are important to understand how markets operate.

   a. Supply - the ability and willingness to produce goods and services at particular prices.
   b. Demand - the ability and willingness to purchase goods and services at particular prices.
   c. Price - the market exchange rate acceptable to both buyer and seller.

9. What are three techniques used in the American economy to solve basic economic questions?

   a. Market behavior
   b. Government action
   c. Negotiations

10. What is the government's economic role in the American economy?

    It attempts to stabilize the economy and prevent severe economic problems.

11. What is the economic function of labor unions in this economy?

    The purpose of the unions is to organize workers to obtain higher wages and improved working conditions. Through these organizations workers try to obtain greater economic benefits than they might expect to get if they acted as individuals.

12. What is the economic function of business management in this economy?

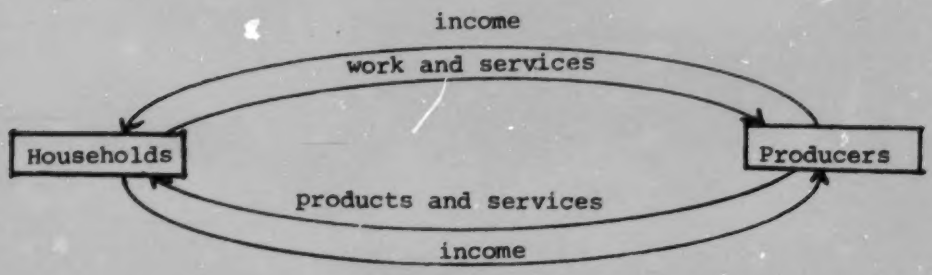
    The management of a business decides what product to make and how to make that product so the business can obtain an economic gain.

13. In this economy what encourages people to produce economic goods and services?

    Incentives such as profits, wages, and psychic rewards encourage people to produce goods and services. In other words, they can expect to get some personal economic gain from their work.

INTERDEPENDENCE

14. Show how there is a circular flow of economic activities in this economy.



15. Define the terms inflation and recession.

Inflation - a general rise in the price level of goods and services in the economy.

Recession - a period in which economic activity slows, production declines, and unemployment rises.

16. Identify two basic methods the Federal government can use to stabilize the American economy.

The government can influence the economy by using fiscal policy (the ability to tax and spend revenues) and monetary policy (the ability to control the supply of money).

17. What is a social cost?

A third party incurs a cost because of the economic actions of other people.

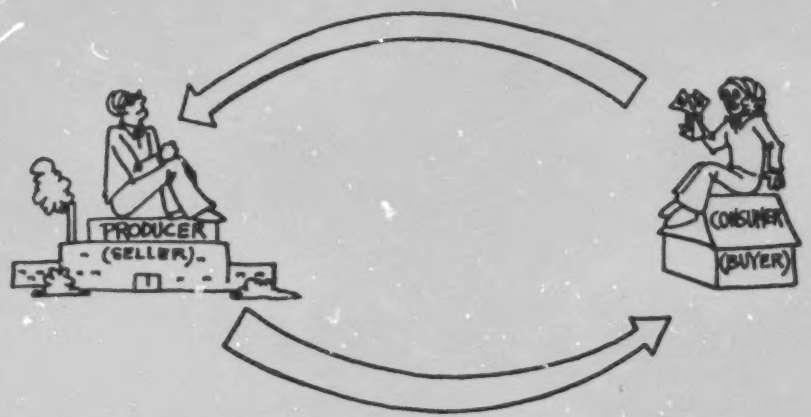
18. What is a social benefit?

A third party obtains benefits because of the economic actions of other people.

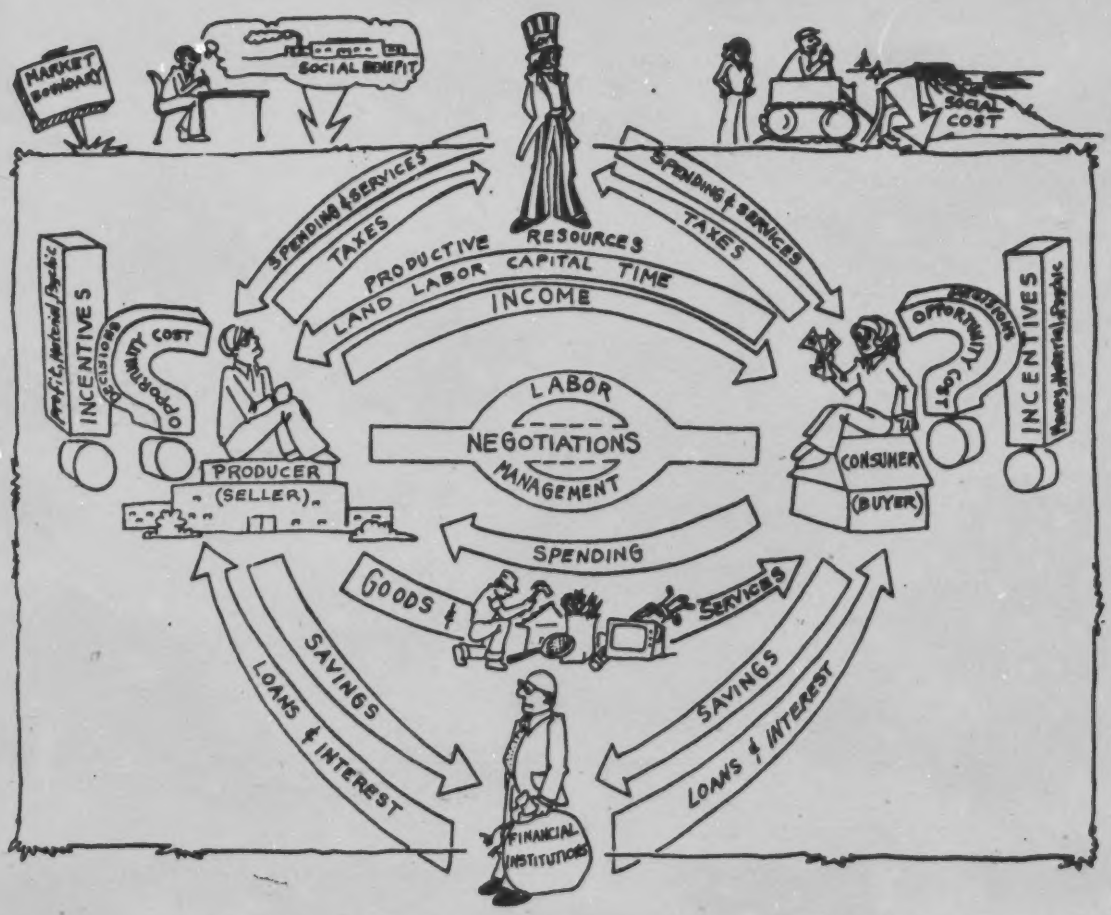
THE MODEL CHART - Your Tool for Organization and Review

I. A chart is going to be used throughout the unit as a model of the economy. It begins as a simple model and becomes more complex as the students learn the concepts. We suggest you make transparencies of the models. The first model is found on the following page. Succeeding models follow on pages 29, 34, 42, 49, 62, 72, 81, 100, and 104.

IN THE BEGINNING

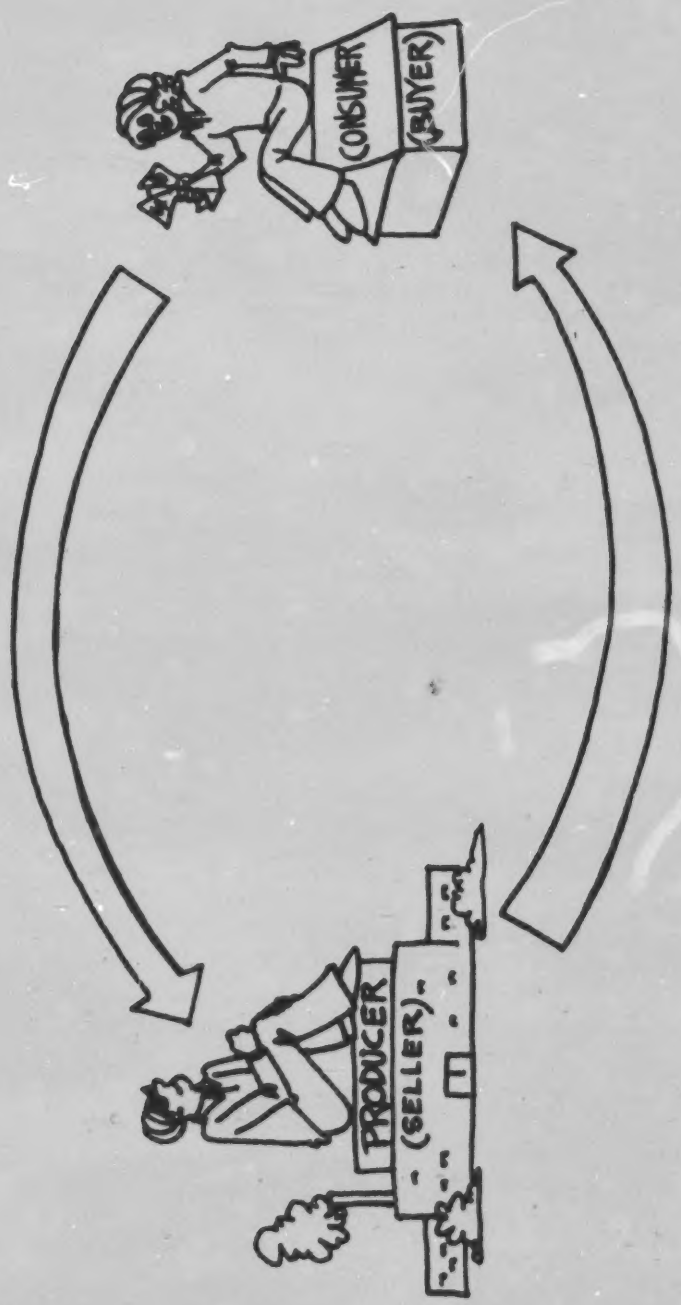


II. IN THE END



MODEL OF THE AMERICAN ECONOMIC SYSTEM

THIS IS THE BEGINNING STAGE
OF THE MODEL CHART



BASIC ECONOMIC CONCEPTS

The following concepts have been identified as necessary for a basic understanding of economics. These concepts are used throughout this unit. This list is not meant to be exhaustive, to the contrary, it represents only a foundation from which a more complete understanding of economics may be developed.

The definitions following each concept are designed to help teachers improve their understanding of each term and to provide teachers with a base line for student evaluation. It is not intended that students be required to memorize these definitions.

MODELS — Simplified representations of more complicated relationships between people and/or things, i.e. model airplanes, road map, simulated space capsule.

CIRCULAR FLOW — Aggregate Flow of Economic Activity--A visual device which attempts to represent the two basic types of transactions found within any economy; those involving the purchase and sale of complete goods and services and those involving the purchase of resources which are to be used in making other goods. Two flows--represented by arrows in the pictorial representation--are associated with each transaction in the economy. The flow of money to the seller and the flow of service or product to the purchaser.

- CONSUMER — Individuals or institutions which buy/use resources, goods and services.
- PRODUCER — Individuals or institutions which use the resources of land, labor, capital and time in combination to manufacture a particular goods or services.
- GOVERNMENT — Institutions which have a regulatory function. In executing this responsibility they also become consumers and producers.
- FINANCIAL INSTITUTIONS — Institutions which collect savings and make loans for investments in the economy.

SCARCITY — This concept refers to the situation that in the real world the acquisition of desired (wanted) things requires both a choice and effort. This choice is necessary because there is a limited amount of products and resources while people have unlimited wants.

RESOURCES — A resource is anything that can be used to satisfy human wants.

- LAND — Natural resources which can be used in production. Land resources include such things as farmland, water, crude oil and mineral deposits. (Gifts of nature)
- LABOR — The physical and/or mental productive ability of people.
- CAPITAL — Man-made items that are or can be used in production. Capital resources include such things as tractors, tools, shovels, and

Concepts (cont.)

	buildings. This should not be confused with money, stocks, bonds, or other paper assets.
TIME	The most restrictive resource we possess. The existence of a finite life span will necessitate the choosing or ordering what to produce.
OPPORTUNITY COST	The benefit, or value of the benefit, that is foregone by choosing one alternative over another. One gives up the opportunity to watch television when a decision to mow the grass is made.
INCENTIVES	The factors which tend to encourage behavior or determination.
MONEY	Anything generally accepted in exchange for other things--a medium of exchange for other things--a medium of exchange (paper currency, coins, and checking accounts).
MONETARY REWARDS	Payment in the form of wages, interest, and dividends on profits which provide the usual incentive for individuals to make services and capital available to others.
PROFIT	The amount of revenue left for a producer after all costs of production are paid for. Many individuals and firms are stimulated to produce particular goods and services because they expect to make a profit.
MATERIAL	Physical items which allow individuals to live in his environment. Traditionally these items have taken the form of clothing, transportation devices, homes and labor-saving machines.
PSYCHIC	Psychic incentives stimulate behavior because individuals feel or expect to feel better after that behavior is executed. These feelings are unique to each individual.
MARKET	A situation within which buyers and sellers communicate with one another and in which exchange of goods and services take place.
SUPPLY	The various amounts of goods or service which prospective sellers would be willing to sell at differing prices during a given period of time (with all other prices and production techniques remaining the same).
DEMAND	The various amounts of goods or service which prospective buyers would be willing to purchase at different prices in a given period of time (with all other prices, incomes and tastes remaining the same).
PRICE	The value, in monetary terms, placed upon goods or service through market interaction between buyers and sellers.
NEGOTIATION	The process of acquiring total information regarding opposite points of view--then modifying one's position through a give-and-take procedure.

Concepts (cont.)

INTERDEPENDENCE	The relationships which exist between buyers, sellers, government agencies and financial institutions within the total economic system. A change in any one of these parts of the system will change an input on all other parts of the system. Example: if buyers cut back 20% on their purchases and increase their savings, this will reduce seller's income, decrease government tax revenues, and increase savings deposits in financial institutions.
INFLATION/ DEFLATION	The relative purchasing power of the dollar as measured by a market basket of goods and services. When prices rise with no change in quantity or quality of goods inflation exists. When prices fall with no change in quantity or quality of goods deflation is occurring.
RECESSION	A reduction in business activity. Declines in investment spending, production, and employment which cause consumer demand to fall as incomes are reduced.
MONETARY POLICY	Government actions which influence the availability of money and credit (purchasing power) for individuals and business groups.
FISCAL POLICY	Government actions which influence consumer demand and business behavior through taxation and government spending.
SOCIAL COST	Cost imposed upon an individual or group of economic actions in which they have no involvement. Example: children who cannot play in schoolyards because of the health hazards of air pollution are incurring social cost.
SOCIAL BENEFIT	Benefit imposed upon an individual or group by economic actions in which they have no involvement.

BASIC KNOWLEDGE EXPECTATIONS

SCARCITY AND OPPORTUNITY COSTS

1. What is the basic problem faced by every economic system?

2. What basic questions must every economic system answer?

3. What are four basic economic resources?

4. What is "opportunity cost"?

MARKET

5. What is a capitalistic economic system?

6. What are major characteristics of a capitalistic economy?

7. How does the American Economic System compare with a capitalistic economic system?

8. Define the following economic terms. They are important to understand how markets operate.

   (1) Supply

   (2) Demand

   (3) Price

9. What are three techniques used in the American economy to solve basic economic questions?

10. What is the government's economic role in the American economy?

11. What is the economic function of labor unions in this economy?

12. What is the economic function of business management in this economy?

13. In this economy what encourages people to produce economic goods and services?

INTERDEPENDENCE

14. Show how there is a circular flow of economic activities in this economy.

15. Define the terms inflation and recession.

    (1) Inflation

    (2) Recession

16. Identify two basic methods the Federal government can use to stabilize the American economy.

17. What is a social cost?

18. What is a social benefit?

Activity 1 (Classroom)

BRAINSTORMING "ECONOMICS"

Goals:

The student

1. is able to brainstorm entry knowledge about economics.
2. is able to categorize brainstormed data.

TASK I - BRAINSTORMING Time: 15 Minutes

Materials:

Butcher paper, felt tip markers

Directions:

1. Place 3' x 3' piece of butcher paper on bulletin board.
2. Write "Brainstorming Rules" on the board.
3. Ask, "What does the term 'economics' mean to you?"
4. Accurately record responses. Do not edit. Take 10 minutes.

Brainstorming Rules

1. Any idea is acceptable.
2. Feel free to piggyback on another idea.
3. A lot of ideas are important.
4. Speak right up.
5. Do not evaluate any idea, e.g., "That's a good/bad idea."
6. No commercials or explanations, e.g., "We should use that idea because..."

TASK I (Brainstorming) - Teacher Notes

Patience is critical in this activity. Be careful to wait out student silences--tell them to enjoy this silence. Don't let the students wait you out. In addition, "I don't know" might be a very appropriate student answer. Finally, try to adhere very closely to the brainstorming rules and item 4 in activity directions.

TASK II CLASSIFICATION OF ECONOMIC KNOWLEDGE Time: 20 Minutes

Materials:

1. List of words and phrases from TASK I.
2. One sheet of butcher paper for each group of students.
3. One felt pen for each group of students.

Directions:

1. Divide class into groups of three students.
2. Have each group refer to butcher paper list from TASK I.
3. Have the groups divide their butcher paper into several columns and then list the brainstorm items into groups that go together.
4. Look at each column and label each with a name or term that describes the items below.
5. Have groups post their work on the wall.
6. After group work is completed explain that economists often classify information with the following four categories:

Consumers
Producers
Government
Financial Institutions

Debriefing:

1. Which activity was the easiest to accomplish? Why?
2. In what other situations would it be useful to brainstorm?
3. How did the classification task clarify the brainstormed data?
4. What were the similarities and differences in the classification methods?
5. Would the categories used by economists have been useful in classifying your data? Explain.
6. Which is the right way to classify data?

TASK II (Classification of Knowledge) - Teacher Notes

Any classification system students come up with is all right--even if it is alphabetizing. The skill of classifying and categorization is an important activity in social science. This activity is intended to help them begin to understand and use that skill.

Activity 2 (Homework)

PRICE CHECKLIST

Goals:

The student

1. is able to compare prices among stores.
2. is able to determine price changes for commodities over a three-week period.
3. is able to hypothesize reasons for the price changes.
4. is able to compare unit prices among commodities.

Materials:

Copies of Form 2A (one per student)

Directions:

1. Distribute 2A (one per student)
2. Determine due dates - completed forms are to be collected and analyzed during the third week of the unit. (This can be either an individual or small group activity.)
3. Assign different food stores to students in order to have price comparisons.
4. Remind students to check price lists each Thursday.
5. Explain unit pricing to the students. (You might want to invite a grocer to class.)

This activity is debriefed at the end of Activity #10.

Activity 2 (Price Checklist) - Teacher Notes

This activity should be scheduled for specific days to gather information such as every Wednesday. It is up to you whether to include sale prices. If you choose to use sale prices, the student information will include greater price fluctuations. This raises questions about why prices change. For more information, see the Big Apple activity.

Form 2A

INFLATION SURVEY
PRICE CHECKLIST

Name_____

Store_____

Location_____

Directions: Write the price and the unit price for the following items on the dates agreed to in class.

	ITEM	Check #1 Date:_____	Check #2 Date:_____	Check #3 Date:_____
1.	Whole fryers (per pound)			
2.	Fresh ground beef (pound)			
3.	Rib steak (pound)			
4.	Darigold Butter (pound)			
5.	Kraft Sliced Cheese, American (12 ounce package)			
6.	One dozen eggs (grade AA large)			
7.	Potatoes (10 pounds)			
8.	Fresh carrots (per pound)			
9.	Bananas, Chiquita Brand (one pound)			
10.	Kellogg's Corn Flakes (12 ounce package)			
11.	Kidney beans, Golden Grain Brand (one pound)			
12.	Bumblebee Tuna (6-1/2 ounces)			
13.	Maxwell House Coffee, regular grind (one pound)			
14.	Wonder Bread (one pound loaf)			
15.	Coca Cola (16 ounce bottle)			
16.	Birdseye Frozen Corn (10 ounce)			
17.	C & H Sugar (one pound)			

Optional Activity (Classroom) Time: 20 Minutes

ECONOMICS MONTAGE/COLLAGE

Goal:

The student is able to distinguish between consumer, producer, government, and financial institution roles using pictures from periodical literature.

Materials:

Glue; scissors; 4 boxes for clippings: (1) consumer, (2) producer, (3) government, (4) financial institutions; tagboard cut in 24" diameter circles; collection of old magazines.

Directions:

1. Students place clippings into appropriate box.
2. Divide class into four groups.
3. Assign category to each group.
4. Request students make montage representing category assigned.
5. Attach finished montages to bulletin board.

Optional Activity (Montage) - Teacher Notes

Our writing committee has disagreed on whether this activity is appropriate to senior high students. It is meant to be a quick activity which reinforces the basic concepts (categories) of consumer, produce, government and banking. Please try it and give us feedback on how well it was accepted by students and how well it reinforced the concepts.

YOU MIGHT PUT THESE IN THE CENTER OF THEIR RESPECTIVE MONTAGES

Activity 3 (Classroom and Homework) Time: 20 Minutes

MODELS

Goals:

The student

1. knows the definition of a "model."
2. knows that models are used extensively in our society.
3. is able to interpret a circular flow economic model.

Materials:

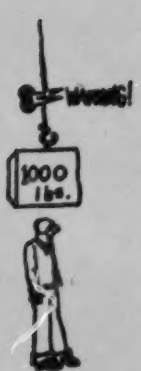
Form 3A, Models Worksheet (One per student)

Directions:

1. Explain to the students that models are a simplified way of looking at complicated relationships.
2. Ask students for some examples of commonly used models.
3. Request students to complete Form 3A, Models Worksheet.

Debriefing:

1. How many different models were given as examples?
2. Interpret the circular flow model in the Basic Knowledge Expectations, page 9.
3. How does the model on page 34 differ from the one in the Basic Knowledge Expectations? Why?
4. Examine "goods and services" component of Model Chart.



Activity 3 (Models Worksheet) - Teacher Notes

This will probably be a difficult exercise for students to accomplish. They may not recognize a large number of examples of models. Use the information from your reading to help them along. You may wish to include road maps, globes, spaceship simulators, fashion models, stereotype behavior patterns, model airplanes, equations' recipes as sample models. In addition, Addison-Wesley Publishing Company has a 12 minute sound filmstrip introducing students to the nature and use of models in everyday life and in economics. This can be obtained from your Addison-Wesley sales representative. The second model in question #3 is incomplete at this time. It only shows one part of the flow. Help the students understand that model relationships are built one component at a time.

MODELS WORKSHEET

Name_____

Teacher_____

Hour_____

This worksheet is designed to help you understand what models are, how they are created and how they may assist you in knowing and remembering important information. All we ask is that you follow the instructions carefully and write your comments legibly in the space provided. If you follow these two simple directions, you will know enough about models to do very well in this unit.

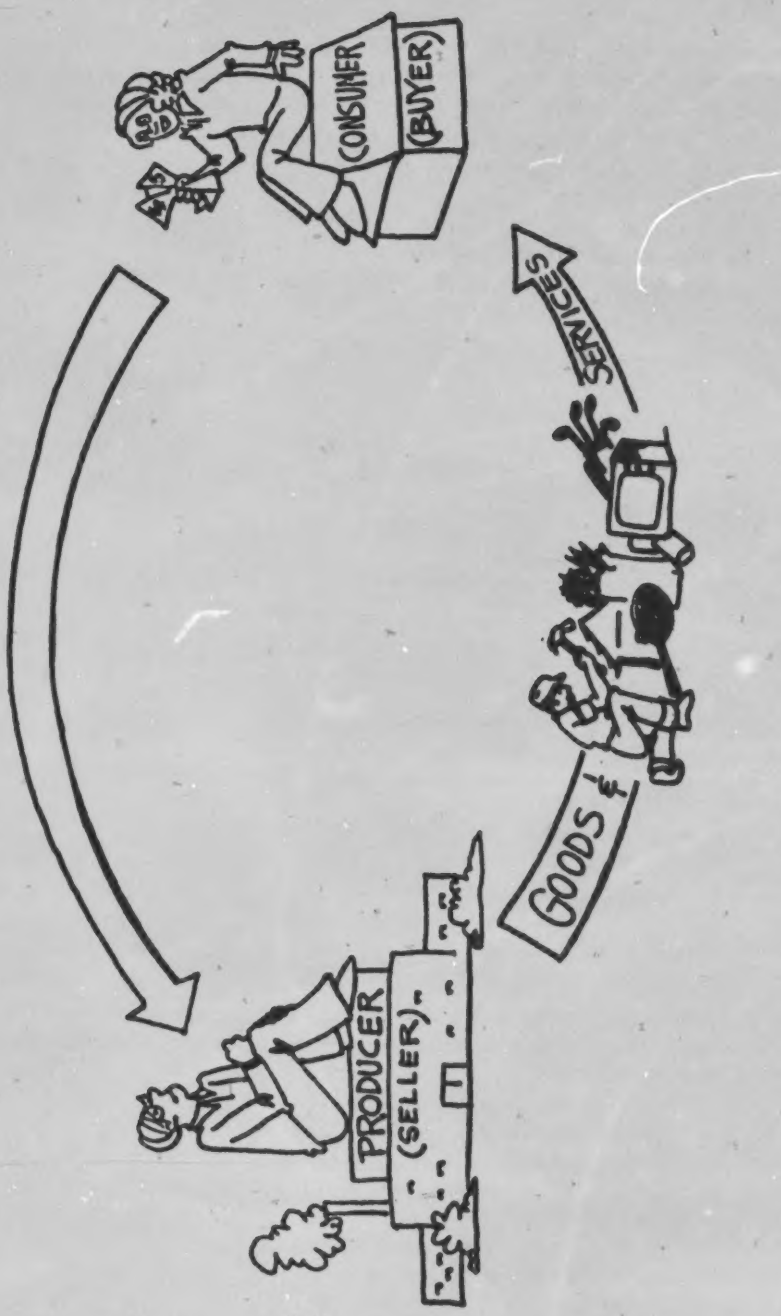
All of us are introduced to models everyday. Many of these help us understand things better and help us do things well. In the space provided list six models you are familiar with and how they help you. An example is provided.

	Models	Purpose
Examples:	Suit Pattern	To produce a unit that fits
	House Blueprint	To build a house to owner's wishes
	Actuarial Tables	To predict age of death
1.		
2.		
3.		
4.		
5.		
6.		

If you have completed your model listing, you probably realize that our world is full of models. If you don't believe this, ask to see the list the person sitting next to you has developed. He has listed items you did not think about. Assuming that each of your classmates has at least one different model than the rest of the class, which is very possible, you can see that a large number of models does exist.

The purpose of models is to show complicated relationships between people and/or things in a more simple manner than actually going out and making all of the actions or observations ourselves. Certainly, it is easier to draw a house floorplan on paper (showing the relationship of doors to windows, wall to total area, etc.) than actually build the house so your contractor knows what you want him to build for you.

AFTER ACTIVITY #3, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Activity 4 (Homework)

SCARCITY EXERCISE - $2,000 WINDFALL

Goals:

The student

1. knows there are limited resources for people's unlimited wants.
2. knows the definition of opportunity cost (monetary and nonmonetary).
3. is able to "communicate" with his family.

Materials:

Form 4A (one per student)

Directions:

1. Introduce idea that each student's family has just received a $2,000 windfall.
2. Distribute Form 4A and read directions.
3. Be sure and write on the form both your choices and costs.
4. In the decision-making process the family may add real items to the list.

Debriefing:

1. Share some of the lists - identify the five most popular choices.
2. What is the purpose of the second column?
3. Why are all the items in the second column "costs?" (e.g., if you decide to buy the motorbike you will have to forego the opportunity to buy something else you want, i.e., "opportunity cost.")
4. What use would a choice-cost activity be to a family?
5. Examine "goods and services" component of Model Chart.

Activity 4 - Teacher Notes

This is a personal money example of a scarcity situation. Don't let the students be confused and generalize that this can only happen on a personal level with money. It also happens at regional levels (land use problems) and on national levels (energy shortages). Scarcity is involved on all levels (personal, family, community, region, state, national, and international) and is associated with real resources (land, labor, and capital). The cost of all decisions are the items not chosen.

Form 4A

Name _____

THE CONCEPT OF SCARCITY AND OPPORTUNITY COST

Your family has received a windfall of $2,000. Call a family conference to determine the best choices on how to spend this money. From the list of suggestions below, place your choices in the left-hand column and the remaining items in the right-hand column.

1. $400 to pay income tax owed--can be deferred for another year
2. $800 for braces for your teeth
3. $600 for the college education fund
4. $800 for new dining room carpet
5. $1,000 for down payment on a lake lot
6. $200 for a motorbike
7. $90 for bicycle for your sister
8. $400 for vacation to Disneyland for the family
9. $900 to allow your father to finish his college degree
10. $1,500 for badly needed bedroom added to house
11. $850 for gall bladder operation for your mother--she has put it off for years
12. $400 for Slick Watts' Basketball Camp
13. $200 for new tires for family car--old ones are not safe any more
14. $450 for a freezer to cut down on food costs
15. $600 for vacation trip to see grandparents living in Bar Harbor, Maine--they are elderly and have not seen the family for many years.
16. $800 for stereo tape system
17. $1,000 to send Mom and Dad to Hawaii for their silver wedding anniversary
18. $1,200 for new roof for house--old one starting to leak
19. $500 for new clothes for school
20. $200 for Neighbors in Need to buy food for poor people

CHOICES	COSTS (What cannot be done)

Activity 5 (Classroom) Time: 15 Minutes

OPPORTUNITY COST WORKSHEET

Goals:

The student

1. knows that opportunity costs are nonmonetary.
2. knows that opportunity costs are involved in all economic decisions.
3. is able to identify the opportunity costs in a social case study.

Materials:

Form 5A, the Real Cost (one per student)

Note to Teacher:	This activity will reinforce the concept of opportunity cost and emphasize the nonmonetary costs in a social dilemma situation.

Directions:

1. Distribute Form 5A, the Real Cost (one per student).
2. Organize class into five-person city councils and have each group complete Form 5A.

Debriefing:

1. Have each group share its decisions.
2. Evaluate each list and predict community consequences.
3. Identify any major community or state issues that are similar and identify the opportunity costs.
4. How useful is this as a decision-making tool? Explain.
5. Examine "opportunity cost" component of Model Chart.

Activity 5 - Teacher Notes

Be careful to emphasize the opportunity cost is not monetary cost.

Form 5A

Name_____

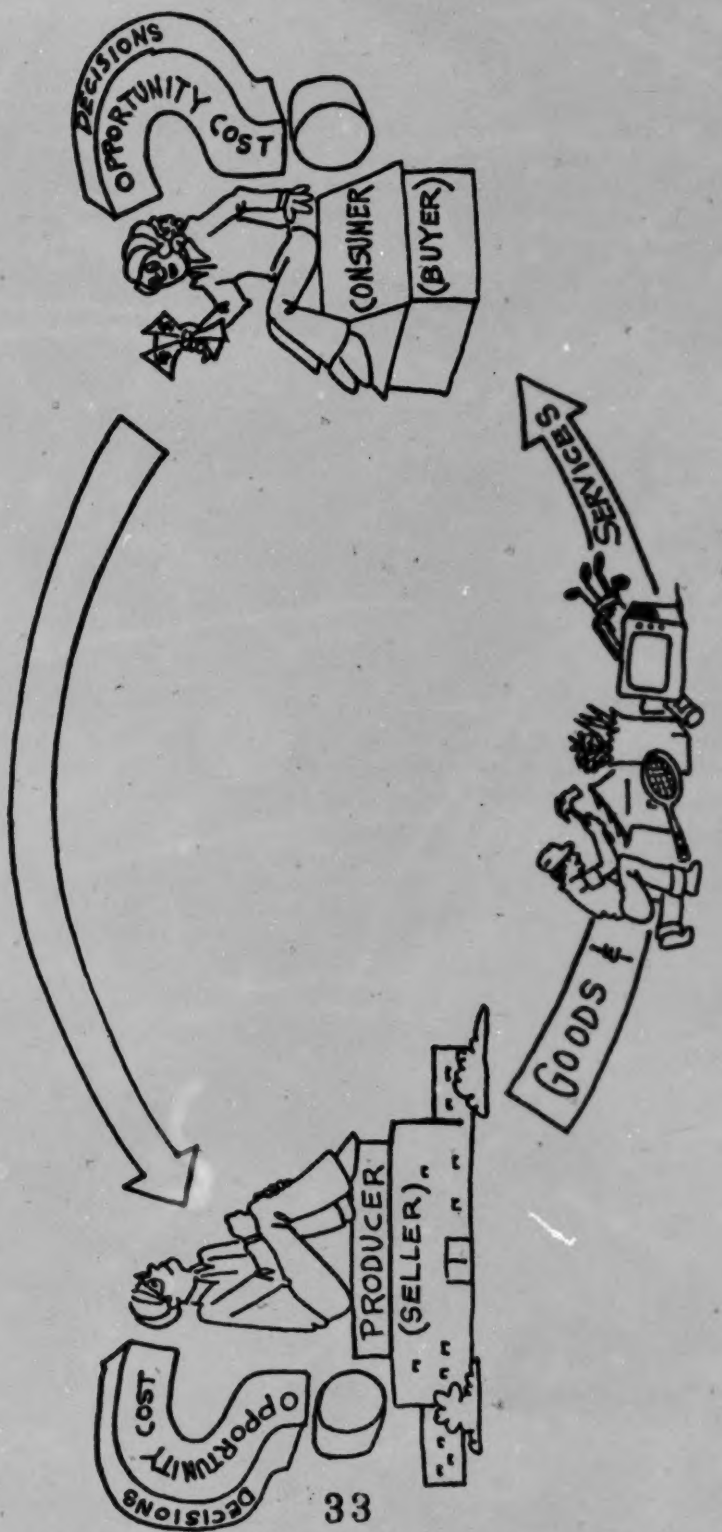
THE REAL COST

The City of Odessa, the county seat, has a population of 10,000 people most of whom are employed in agriculture, small businesses and county government. It has recently been determined that an army infantry training base will be located nearby. The base will bring to the town an additional 10,000 people over a period of three years. About half of these people will be permanent residents. The other half will turn over every twelve months. To accommodate this population growth the city should provide the following services:

1. 10 new policemen
2. 3 new police cars
3. 10 new firemen
4. 2 new fire engines
5. sewage disposal plant
6. construct sewer lines
7. 1 new school
8. new library
9. 20 additional teachers
10. 100 miles of new roads

The city council's dilemma is it has the resources to provide only three of these needed services by the time the base is completed. As a member of the city council, which would you provide and which would you forego? Identify the benefits the community will receive and explain the opportunity costs involved in this decision. Be prepared to explain your decisions to the class.

AT THE CONCLUSION OF ACTIVITY #5, YOUR MODEL SHOULD LOOK LIKE THIS:



Activity 6 (Classroom) Time: 40-60 Minutes

LECTURE/DISCUSSION/WORKSHEETS: "How Economists Classify Resources"

Goals:

The student

1. knows that land, labor, capital, and time are the main economic resources.
2. is able to categorize resources under land, labor, or capital.
3. knows the major resources in a given product.

Materials:

1. From 6A (one per student)
2. Form 6B (one per student)

Directions:

1. Conduct lecture/discussion on economic resources. (See page 45 for guidelines.)
2. Students individually complete Form 6A.
3. Correct Form 6A as a class. (axe, capital; oil, land; bulldozer, capital; workers, labor; factory, capital; fish, land; lathe, capital; desk, capital; screwdriver, capital; seaweed, land; teacher, labor; trees, land; silver, land; doctors, labor; computer, capital.)
4. Students individually complete Form 6B.
5. Lead debriefing session for Form 6B.
6. Conduct short lecture session. Provide the following information: "The three basic questions any economic system must answer are:

   a. What will be produced?
   b. How will it be produced?
   c. For whom will it be produced?

   (See Economic Ideas and Concepts, page 9)

Debriefing Questions After "Pizza Signals" - Form 6B

1. What are you and your friends setting in motion when you buy pizzas?

   a. Think in terms of demand on land, labor, and capital.

b. Think in terms of opportunity cost. (What products could be produced if pizzas were not being made?)

Note to Teacher: Insert this information:"The proprietor of the pizza place must pay a 20% income tax on net profit."

c. Think in terms of government revenues/expenditures. (Demonstrates long-range impact of a purchase.)

2. What effect would you have if you stopped purchases of pizza?

a. Think in terms of land, labor, and capital.
b. Think in terms of opportunity cost.
c. Think in terms of government.

Activity 6 - Teacher Notes

Don't get involved in the government role in the economy yet. Also realize that these questions are surfacing the concept of interdependence.

In preparation for this lecture/discussion reference should be made to pages of Economic Ideas and Concepts and to the glossary of Basic Economic Concepts.

In classifying resources in categories of land, labor, and capital, you may find that some resources have no "clear-cut" category in which they fall, i.e., sausage, human talents, gasoline, dough, flowers, etc.

The teacher, therefore, may want to include some items in more than one category or create a new category of "hard-to-categorize" items. (Even most economists will have a list of hard-to-categorize items when asked to place all items under land, labor, or capital.)

One other note, don't confuse "capital resources" (man-made resources like--tools, factories, buildings, etc.) with "financial capital" (intangible items--money, stocks, bonds, etc.) which is used to purchase capital resources.

TEACHER'S ANSWER SHEET FOR ACTIVITY FORM 6B

Classify the underlined resources that went into making pizza.

LAND	LABOR	CAPITAL	TIME
MEAT	CLERK	TELEPHONE	HOUR
GRAIN	CHIEF BAKER	FORM	MINUTES
SALT*	DELIVERY BOY	DOUGH	
	FARMERS	OVEN	
		CARDBOARD BOX	
		ELECTRICITY	
		FLOUR	
		CARDBOARD	
		SAUSAGE	
		SACK	
		MILL	
		GASOLINE	
		PAPER	

*Some resources are hard to classify. Salt can be a natural gift from nature (land), but if it is iodized it becomes a man-made product (capital).

Quiz I - Teacher Notes

Take a breather - you will soon have 150 papers to correct.

Form 6A

Time: 10 Minutes

RESOURCES WORKSHEET

Look at the list of resources below. Then categorize them into land, labor, capital.

Category	Resource
_____	axe
_____	oil
_____	bulldozer
_____	construction workers
_____	factory
_____	fish
_____	lathe
_____	school desk
_____	screwdriver
_____	seaweed
_____	teacher
_____	trees
_____	silver
_____	doctors
_____	computer

Form 6B
Time: 10-15 Minutes

PIZZA SIGNALS

You pick up a telephone and order a large pizza for the family. Within an hour the delivery boy arrives at your door - you pay him $4.50 and everyone enjoys the pizza. Simple, you say. Yes, on the surface, but did you ever realize that when you made the decision to buy that pizza you set in motion a train of events and communicated a series of messages along the economic line somewhat as you do when dialing a telephone number. Let's follow the sequence and see what happened to your order.

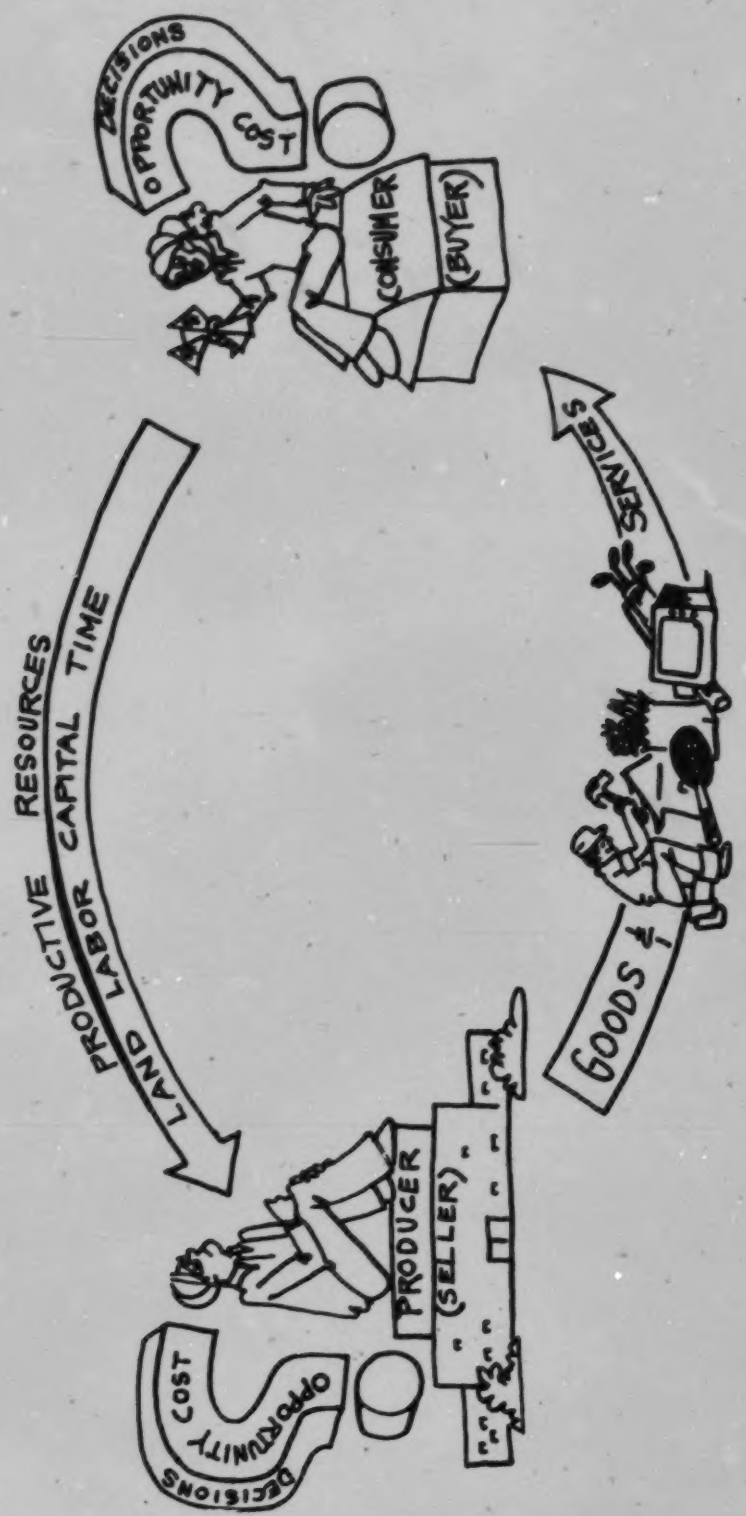
First of all you ordered the pizza to satisfy your needs (you were hungry). Immediately, you lifted the telephone (a service supplied by a public utility) and ordered the pizza. The clerk who took your order wrote it on a form and passed it through the window to the chief baker. He looked at it--checked to see which of his bakers was least busy and passed it on. The baker proceeded to mix the dough and prepared his oven. Within an hour the pizza was ready. The baker put it in a cardboard box; called for a delivery boy and within minutes it was on its way to you. Still simple, you say. Yes, it's still pretty much a process of hitting down one domino and the rest fall. Let's look a little closer though.

Your original order used up electricity, flour, meat, cardboard, etc. Every pizza produced means so much more of these things used. If one pizza used one-half pound of flour--100 such pizzas means a sack of flour, which means so much grain ground at a mill and an increase in some farmers planting, irrigating, and reaping activities. Every single pizza is one part of a larger decision to produce more flour. Every pizza bought is in fact a "vote" for the production of more flour. Every pizza bought flashes a message which reads: "more flour, more salt, more sausage, more electricity, more gasoline, more labor, more paper," and so on through a long series of requisitions.

Classify the underlined resources that went into making pizza pies.

LAND	LABOR	CAPITAL	TIME

AFTER ACTIVITY #6, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Quiz I, Part 1 Time: 10 Minutes

Part 2 will be distributed after you complete this part.

1. What is the basic problem faced by every economic system?

2. What basic questions must every economic system answer?

3. What are four basic economic resources?

4. What is "opportunity cost"?

Part 2 (Classroom) Time: 10 Minutes

Quiz I - Two Way Matching

Directions: In the blanks provided, match the corresponding definition with the concept.

Concept	Definition Letter (one only)
1. Capital	
2. Consumer	
3. Government	
4. Labor	
5. Land	
6. Models	
7. Opportunity Cost	
8. Producer	
9. Scarcity	
10. Time	

Definitions

A. The most restrictive resource we possess. The existence of a finite life span will necessitate the choosing or ordering what to produce.
B. The physical and/or mental productive ability of people.
C. The benefit, or value of the benefit, that is foregone by choosing one alternative over another. One gives up the opportunity to watch television when a decision to mow the grass is made.
D. This concept refers to the situation that in the real world the acquisition of desired (wanted) things requires both a choice and effort. This choice is necessary because there is a limited amount of products and resources while people have unlimited wants.
E. Man-made items that are or can be used in production. Capital resources include such things as tractors, tools, shovels, and buildings. This should not be confused with money, stocks, bonds, or other paper assets.
F. The value, in monetary terms, placed upon a goods or service through market interaction between buyers and sellers.
G. Individuals or Institutions which buy/use resources, goods, and services.
H. Individuals or Institutions which use the resources of land, labor, capital, and time in combination to manufacture a particular goods or service.
I. Simplified representations of more complicated relationships between people and/or things, i.e., model airplanes, road map, simulated space capsule.
J. Natural resources which can be used in production. Land resources include such things as farmland, water, crude oil, and mineral deposits (gifts of nature).
K. Institutions which collect savings and make loans for investments in the economy.
L. Institutions which have a regulatory function. In executing this responsibility, they also become consumers and producers.

Activity 7 (Classroom and Homework) Time: 2 Class Periods

INCENTIVES: MONEY, PROFIT, MATERIAL, PSYCHIC

Goals:

The student

1. knows that work incentives are numerous and varied among people.
2. knows that stereotyping incentives for groups of people are highly questionable.

Materials:

Forms 7 A_1, 7 A_2, 7 A_3, 7 A_4 - Motivation Worksheets (one of each per student)
Form 7B - Group Tally Sheet (one for each work group)

Directions:

1. Divide the class into groups of four.
2. Hand each group member the four Incentive Worksheets.
3. Have students individually rank each of the four categories.
4. Members of the group determine interview choices. Each member will interview at least one.
5. Individually, student selects five items from his/her sheet in the left margin that he/she thinks represent incentives for the depicted person on the sheet.
6. The remainder of the data is to be gathered by interviews.

Upon completion of the homework interview assignment, the teacher should tally the results of the students' interviews using the enclosed record form. NOTE - It is suggested that a transparency be made of the record form and an overhead projector be used for tally and discussion purposes. If an overhead is not available, it is suggested that the form be duplicated on the blackboard. Through student-teacher discussion tally the results. Students may copy the tallied results on a copy of the record form for their own information.

A discussion should follow using the tallied information as crude data from which conclusions can be drawn.

Debriefing Questions:

1. Is there any one value which seems to be acceptable for all identified groups? Why/why not?
2. What values seem most important to the businessman/worker/retired/student?
3. Does age seem to have an effect upon personal values?
4. Does sex seem to have an effect upon personal values?
5. How closely did you predict the value responses of these groups?
6. What implications does this incentive information have in regard to how our economic system works?
7. Examine the "incentives" component of the Model Chart.

Supplemental Activities:

1. Assign the students the task of identifying a work project which would take approximately one hour. Have each student attempt to hire a fellow student to do that job. The incentive that the student uses as an inducement for the worker should be noted. List the incentives used and accepted on the blackboard. Discuss incentives which stimulate student behavior.
2. Select four or five advertisements from magazines or newspapers. Project these on a screen using an opaque projector. Have the students identify the behavior the advertisement is trying to stimulate. (i.e., buying a car, going on a vacation) What incentive(s) does the advertisement use to induce consumer behavior?
3. Read the following case study to the students. Direct them to predict or finish the story. Clues identifying values/incentives are available within the context of the case study.

Mr. Jones has just received his notice that he will be laid off at the end of this month. This distresses Mr. Jones greatly for he has many bills which include a house loan payment, car loan payment, boat loan payment and numerous credit card bills. He has enjoyed his job for it paid $25,000 per year.

That evening Mr. Jones frantically searches the want ads for possible job opportunities. Three ads are selected. They are:

Wanted - Manager of a large corporation's production department. Must be willing to work long hours and weekends. Experience required. Salary $20,000

Wanted - Person who loves the outdoors. Here is an excellent opportunity for a young man to get out in the wilds. Car necessary. Salary $10,000

Wanted - Sales manager. Here is an opportunity for an energetic person to earn an exceptional salary. Sell brand name products. Your salary is limited only by your initiative and ability.

Which job does Mr. Jones select? Support your answer with facts from the case study. Has knowledge of incentives helped you make your prediction?

Activity 7 (Motivation Worksheets) - Teacher Notes

This activity calls for the students to get out into the community. This may cause some anxiety to develop. Perhaps some practice interviews in class would help students feel more at ease. The writing team feels that this activity is a real "zinger" and is critical to the unit and the economic understandings expected.

Form 7 A_1 - Business Person

INTERVIEWS:

Introduction: Hello! I am _____, a student at _____ High School. We are studying a unit on the American Economic System. We have an occupational motivation survey, and I would like to ask for your help. All of your answers will be kept completely anonymous. Would you be willing to help us?

Directions:
1. Tear off left margin of motivation words.
2. Hand motivation word list to the interviewees as an aid.
3. Have interviewees list most important incentives in the appropriate column.
4. Ask each interviewee the listed questions and record answers.

MOTIVATION

Money

Material Wealth

Dignity

Freedom of Choice

Profit

Prosperous Life

Health

Justice

Security

Peace

Helping People

Creativity

Religious Belief

Leadership (Influencing Others)

Capability (Able To Do Things Well)

Pleasure (Enjoyable Life)

QUESTIONS:

1. WHY HAVE YOU CHOSEN THIS PROFESSION?
2. WHY DO YOU WORK?
3. DID YOU DEVELOP SKILLS FOR YOUR JOB?
4. HOW DO YOU BENEFIT OTHERS?
5. WHAT PERSONAL SATISFACTION DO YOU RECEIVE FROM YOUR WORK?
6. WHAT IS THE FUTURE OF YOUR WORK?
7. WHAT ECONOMIC GOALS DO YOU NOW HAVE?

TEAR HERE

SEX_____

AGE_____

BUSINESS PERSON

STUDENT RANK ORDER
~VALUES~

1.
2.
3.
4.
5.

INTERVIEWED PERSON'S RANK ORDER ~VALUES~

1.
2.
3.
4.
5.

INTERVIEWS:

Introduction: Hello! I am _____, a student at _____ High School. We are studying a unit on the American Economic System. We have an occupational motivation survey, and I would like to ask for your help. All of your answers will be kept completely anonymous. Would you be willing to help us?

Directions:
1. Tear off left margin of motivation words.
2. Hand motivation word list to the interviewees as an aid.
3. Have interviewees list most important incentives in the appropriate column.
4. Ask each interviewee the listed questions and record answers.

MOTIVATION

Money

Material Wealth

Dignity

Freedom of Choice

Profit

Prosperous Life

Health

Justice

Security

Peace

Helping People

Creativity

Religious Belief

Leadership (Influencing Others)

Capability (Able To Do Things Well)

Pleasure (Enjoyable Life)

QUESTIONS:

1. WHY HAVE YOU CHOSEN THIS JOB?
2. WHY DO YOU WORK?
3. DID YOU DEVELOP SKILLS FOR YOUR JOB?
4. HOW DO YOU BENEFIT OTHERS?
5. WHAT PERSONAL SATISFACTION DO YOU RECEIVE FROM YOUR WORK?
6. WHAT IS THE FUTURE OF YOUR WORK?
7. WHAT ECONOMIC GOALS DO YOU NOW HAVE?

SEX_____

AGE_____

TEAR HERE

WORKER

STUDENT RANK ORDER ~VALUES~

1.
2.
3.
4.
5.

INTERVIEWED PERSON'S RANK ORDER ~VALUES~

1.
2.
3.
4.
5.

INTERVIEWS:

Introduction: Hello! I am _____, a student at _____ High School. We are studying a unit on the American Economic System. We have an occupational motivation survey, and I would like to ask for your help. All of your answers will be kept completely anonymous. Would you be willing to help us?

Directions:
1. Tear off left margin of motivation words.
2. Hand motivation word list to the interviewees as an aid.
3. Have interviewees list most important incentives in the appropriate column.
4. Ask each interviewee the listed questions and record answers.

MOTIVATION

Money

Material Wealth

Dignity

Freedom of Choice

Profit

Prosperous Life

Health

Justice

Security

Peace

Helping People

Creativity

Religious Beliefs

Leadership (Influencing Others)

Capability (Able To Do Things Well)

Pleasure (Enjoyable Life)

QUESTIONS:

1. WHAT WAS YOUR JOB BEFORE YOU RETIRED?
2. WHY DID YOU RETIRE?
3. WHAT DO YOU LIKE MOST ABOUT RETIREMENT?
4. WHAT DO YOU LIKE LEAST ABOUT RETIREMENT?
5. WHAT ECONOMIC GOALS DO YOU NOW HAVE?

TEACHER

SEX_____

AGE_____

ELDERLY (RETIRED)

STUDENT RANK ORDER

~VALUES~

1.
2.
3.
4.
5.

INTERVIEWED PERSON'S RANK ORDER ~VALUES~

1.
2.
3.
4.
5.

INTERVIEWS:

Introduction: Hello! I am _____, a student at _____ High School. We are studying a unit on the American Economic System. We have an occupational motivation survey, and I would like to ask for your help. All of your answers will be kept completely anonymous. Would you be willing to help us?

Directions:
1. Tear off left margin of motivation words.
2. Hand motivation word list to the interviewees as an aid.
3. Have interviewees list most important incentives in the appropriate column.
4. Ask each interviewee the listed questions and record answers.

MOTIVATION

Money

Material Wealth

Dignity

Freedom of Choice

Profit

Prosperous Life

Health

Justice

Security

Peace

Helping People

Creativity

Religious Beliefs

Leadership (Influencing Others)

Capability (Able To Do Things Well)

Pleasure (Enjoyable Life)

QUESTIONS:

1. WHY ARE YOU A STUDENT?
2. WHAT DO YOU LIKE MOST ABOUT BEING A STUDENT?
3. WHAT DO YOU LIKE LEAST?
4. WHAT BENEFITS DO YOU FEEL YOU GAIN FROM BEING A STUDENT?
5. HOW IS YOUR SCHOOLING HELPING YOUR ECONOMIC FUTURE?
6. IF YOU WERE NOT IN SCHOOL DURING THIS PERIOD OF YOUR LIFE, WHAT WOULD YOU BE DOING?
7. WHAT ECONOMIC GOALS DO YOU NOW HAVE?

SEX_____

AGE_____

TEAR HERE

STUDENT

STUDENT RANK ORDER
~ VALUES ~

1.
2.
3.
4.
5.

INTERVIEWED PERSON'S RANK ORDER ~VALUES~

1.
2.
3.
4.
5.

RAW DATA RECORD FORM - GROUP TALLY SHEET Form 7B

Circle your Group Number I II III IV

Names: _____ _____

_____ _____

_____ _____

It is your task to tally the incentive listings from your interview activities.

BUSINESS PERSON		WORKER	
Incentives	Number	Incentives	Number

ELDERLY		STUDENT	
Incentives	Number	Incentives	Number

CONCLUSIONS

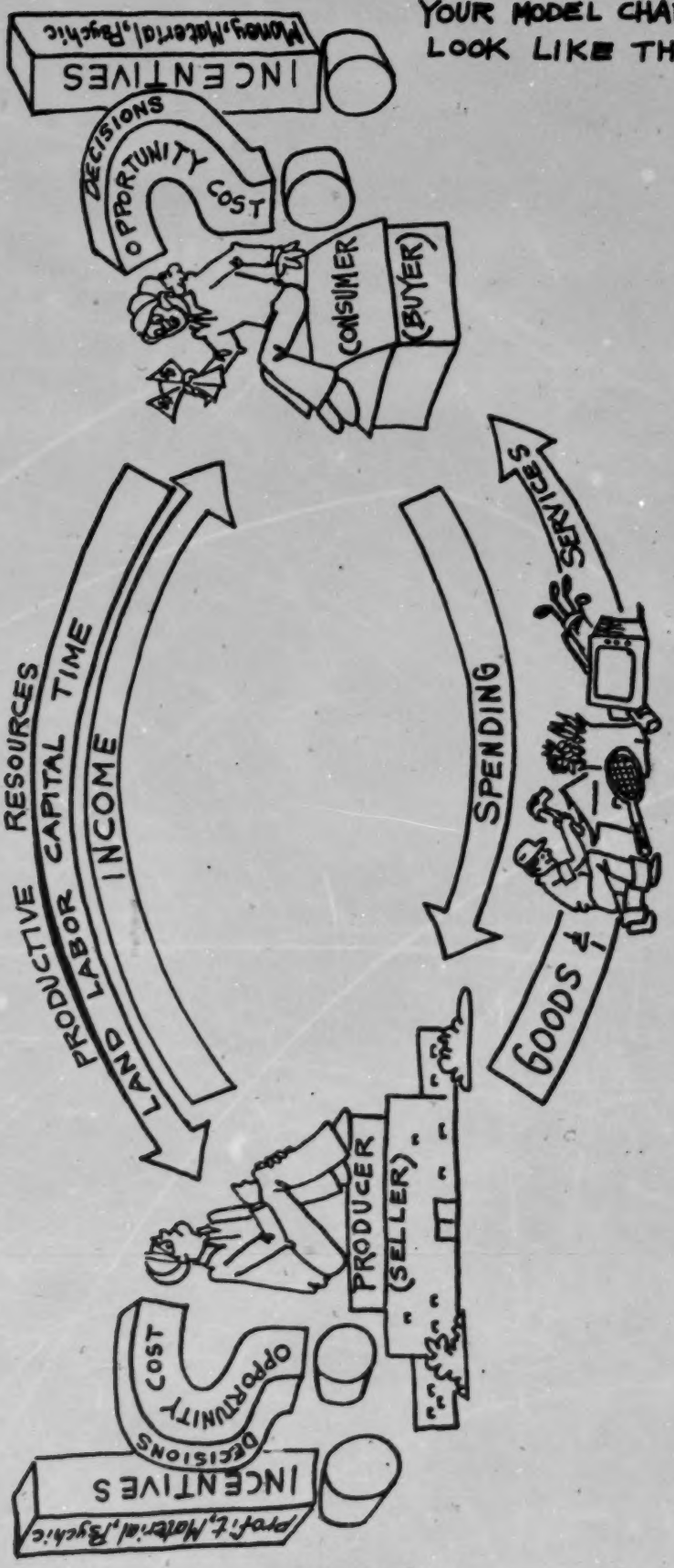
1.

2.

3.

4.

AT THE CONCLUSION OF ACTIVITY #7, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Activity 8 (Classroom) Time: 2 class periods

THE BIG APPLE

Introduction:

The Big Apple Simulation Game is designed to involve students directly in what it is like to buy and sell apples in a competitive market.

Every student's goal is to maximize profit. Encourage students to make as many deals as possible. Tell them it may be wise to take a loss in order to get a new Big Apple card. (The key to the success of this simulation is to generate many transactions.)

Goals:

The student

1. is able to observe the competitive and emotional reactions of the marketplace.
2. is able to form generalizations and discuss the nature of the competitive marketplace.
3. is able to observe that in a competitive market prices tend to move toward equilibrium.
4. is able to describe how supply and demand influence prices.
5. is able to construct a bar graph.

Materials for Game:

1. Informational Chart
2. 36 Buyer/36 Seller Cards
3. Individual Score Sheet (two per student)
4. Classroom Tally Sheet (one per class)
5. Bar Graph Worksheet (one per student)

Directions: (Round 1)

1. Clear center of room as marketplace.
2. Select one student to be keeper of the Big Apple Cards. (Form 8B)
3. Select one student to record all transactions on "Big Apple Classroom Tally Sheet" (Form 8D). (We recommend you put the tally sheet on the board for everyone to see.)

4. Divide class into two equal groups. One group will be sellers; one group buyers. You will be a buyer throughout the game--no changes. When a seller finds a buyer and agrees on price, the seller goes to the Big Apple Market Tally Sheet and records the deal. Then the seller and buyer get new cards from the Keeper of the Cards and re-enter the marketplace. (Locate keeper cards and tally sheet together.)

5. Buyers/sellers can sell in $5.00 or $10.00 amounts only.

6. Hand out individual tally sheets and have each buyer/seller record transactions as they are made. (Form 8C)

7. Conduct three rounds of trading sessions of 10 minutes each. Announce to the students when one minute remains in each round.

8. After each trading round, allow students time to figure their net losses/gains.

9. During nontrading time, direct students' attention to the market record on the board. Say that it contains useful information for them. Do not elaborate.

Debriefing:

1. What is the price the apples are most frequently sold at in Round 3?

2. In which round was there the greatest spread in price?

3. Why did the prices become more concentrated? (Competition is the most important cause for price concentration.)

4. Why did high profit takers have success?

Directions: (Round 4) (2nd Day)

1. This round is identical to the first day except that half of all sellers have been eliminated and deals must take place within 5 minutes.

2. Allow time to record gains/losses.

Debriefing: (Round 4)

1. Did prices go up or down? (They should go up.)

2. Why did the price change?

3. Can you relate this price change to conditions in the national economy?

Directions: (Round 5)

1. Put all sellers back and follow same directions as before except half of all buyers have been eliminated.

2. Deals must take place in 5 minutes.

3. Allow time to record gains/losses.

Debriefing: (Round 5)

1. Did prices go up or down? (They should go down.)

2. Does this suggest a method of controlling inflation? How might it be accomplished? What negative effects could occur using this method? (Loss of jobs, loss of income for business.)

3. Have students graph market deals for Rounds 3, 4, and 5, and write generalizations.

   NOTE: Compare Market Record Sheet for all three versions of the Big Apple Market Game as you hold discussion.

4. NOTE TO TEACHER:

   Expected outcomes of Bar Graph Worksheet:

   (a) Price equilibrium occurs between $50-$65, Round 1.
   (b) More deals made enhance profit possibilities.
   (c) The market is confusing--full of anxiety.
   (d) Price goes up when an item in demand is scarce, Round 4.
   (e) Price drops when there is less demand, Round 5.

5. Examine "Market Boundary" component of Model Chart.

END

(We are now ready to discuss external forces on the competitive market. An opening question for tomorrow might be how this market game differs from the real world.)

Activity 8 (The Big Apple) - Teacher Notes

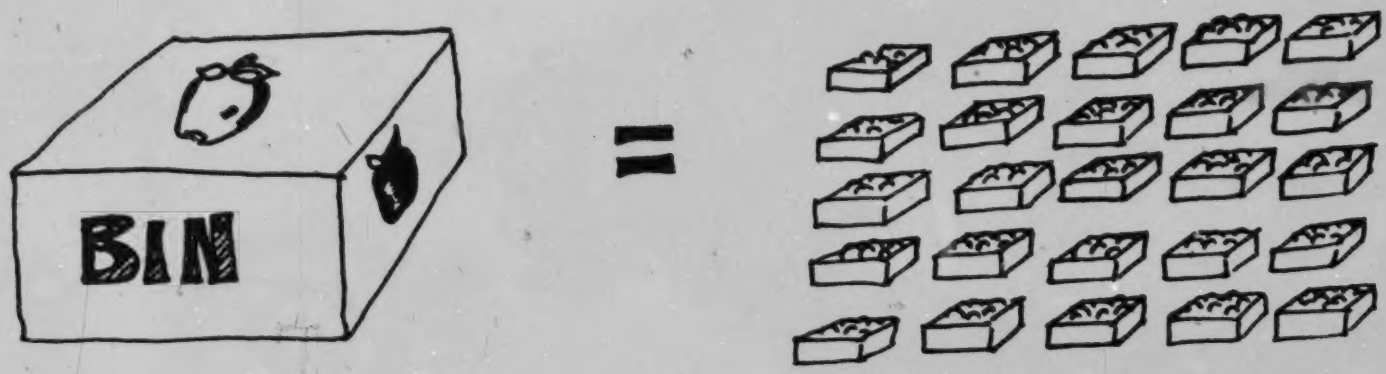
This activity requires students to accept the roles of consumer and producer. It may help to assign one student the task of distributing the buyer and seller cards during the game. A recorder of transactions may also be necessary so the teacher can closely follow the market interaction. Debriefing is critical to this activity.

FORM 8A

THE BIG APPLE
INFORMATIONAL CHART

(POST IN ROOM) 24 x 36

FROM PRODUCER . . . APPLES ARE DELIVERED IN A BIN TO A WAREHOUSE.



EACH BIN = 25 BOXES OF APPLES

EACH BOX WEIGHS APPROXIMATELY 40 LBS.

BUYERS & SELLERS MEET AT THE COMMODITIES MARKET PLACE, TO MAKE DEALS ON PRICES FOR APPLES.

QUESTION: HOW MUCH WOULD A BIN OF APPLES WEIGH? 1,000 LBS. IF YOU COULD SELL THE APPLES FOR 10¢ A LB. HOW MUCH WOULD YOU GET? $100.00. YOU'RE READY FOR THE BIG APPLE!

FORM 8B

MAKE 36

THE BIG APPLE (BUYER)

You are buying 1 bin of red delicious apples. Try to pay the lowest price possible. You should not pay more than_____ unless you decide to take a loss.

MAKE: 4 BUYER CARDS
AT: 90,80,30,20
(16 cards)

5 BUYER CARDS
AT: 70,60,50,40
(20 cards)

MAKE 36

THE BIG APPLE (SELLER)

You are selling 1 bin of red delicious apples. Try to get the highest price but you should not take less than_____ unless you decide to take a loss.

MAKE: 4 SELLER CARDS
AT: 100,90,40,30
(16 cards)

5 SELLER CARDS
AT: 80,70,60,50
(20 cards)

FORM 8C

INDIVIDUAL SCORE SHEET--BIG APPLE

Name_____

Circle One: BUYER SELLER

Directions: For each transaction, when you get a card enter the price in the appropriate column. After you make a transaction, record the price in the next column of the same row. You will tally the gains, losses, and totals at the end of the game. Tally your losses and gains by taking the difference between your transaction price and the price on your card for each transaction. For example, if a seller sells at a price higher than the price on his card, he makes a gain; if lower, he takes a loss. If a buyer buys at a lower price than his card price, he makes a gain; if higher, he takes a loss. Ignore the breakevens. Total up your gains and losses and mark these in the appropriate places. Your net gain or loss is the difference between the sum of the gains and the sum of the losses. Indicate where rounds 1, 2, and 3 ended by a mark.

Transaction Number	Price on Your Card	Exchange Rate	Gains	Losses
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Total No. of Transactions_____ Total Gain_____ Total Loss_____ Net Gain Loss_____ (Circle one)

FORM 8D

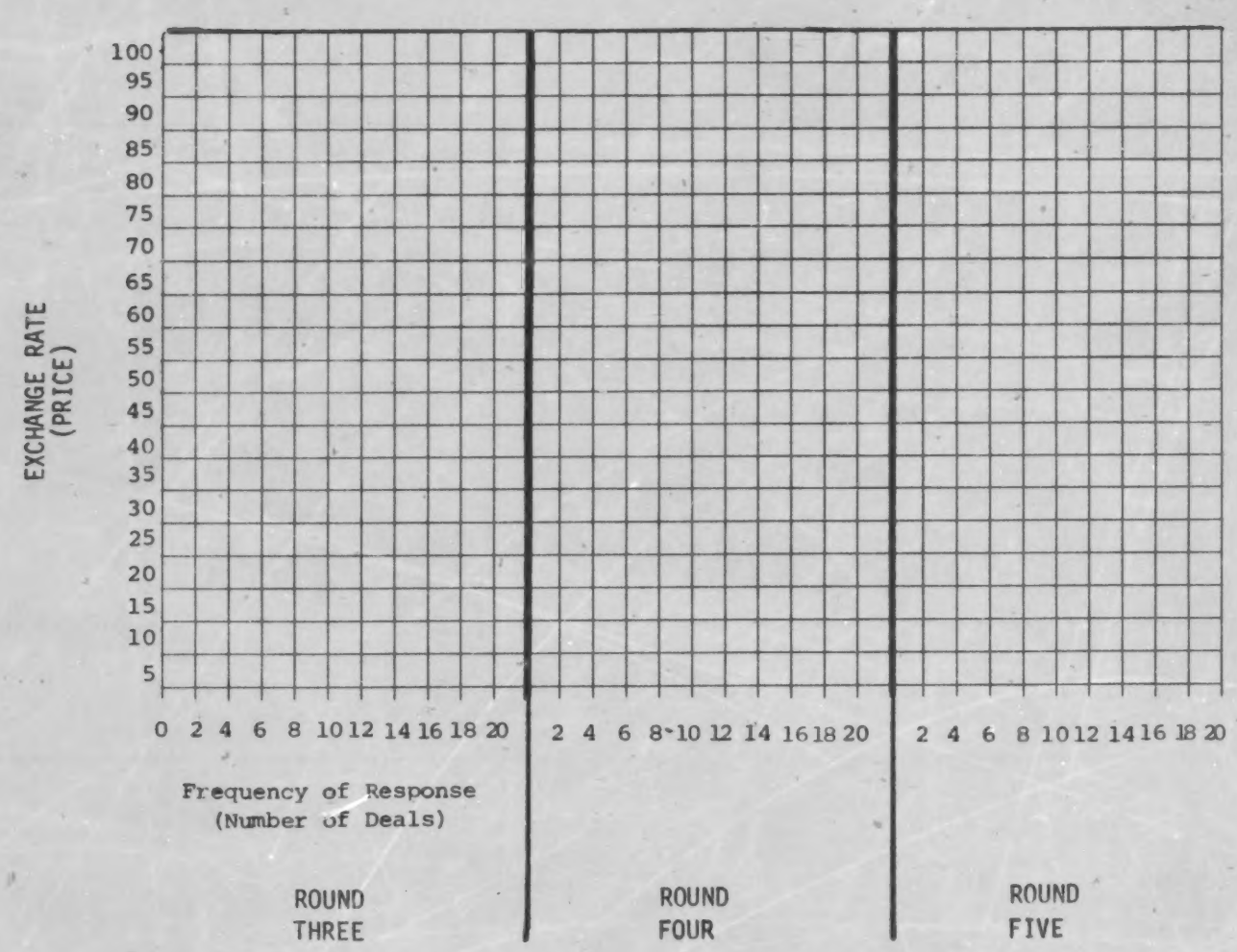
BIG APPLE CLASSROOM TALLY SHEET

PRICE	10 minutes ROUND 1	10 minutes ROUND 2	10 minutes ROUND 3	5 minutes ROUND 4	5 minutes ROUND 5
100					
95					
90					
85					
80					
75					
70					
65					
60					
55					
50					
45					
40					
35					
30					
25					
20					

DIRECTIONS: Mark / beside the agreed upon price when the seller reports it to you.

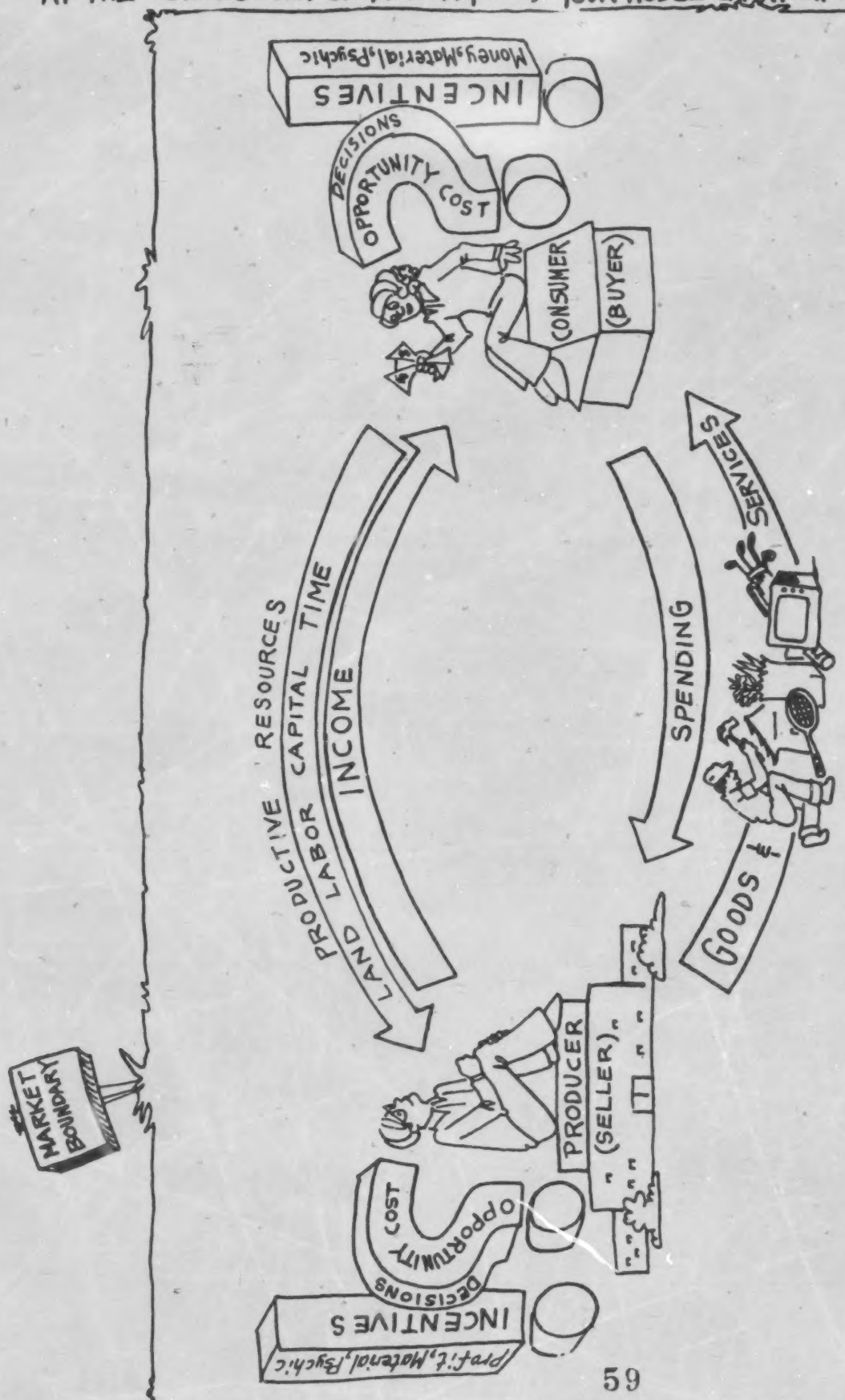
BAR GRAPH WORKSHEET: THE BIG APPLE

Directions: Translate information from the Classroom Tally Sheet into bar graph form.



QUESTION: What effects do changes in supply (sellers) and demand (buyers) have on price?

AT THE CONCLUSION OF ACTIVITY #8, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Quiz II, Part 1 Time: 20 Minutes

Part 2 will be distributed after you complete this part.

1. What is a capitalistic economic system?

2. What are major characteristics of a capitalistic economy?

3. How does the American Economic System compare with a capitalistic economic system?

4. Define the following economic terms. They are important to understand how markets operate.

   Supply -

   Demand -

   Price -

5. What are three techniques used in the American economy to solve basic economic questions?

6. What is the government's economic role in the American economy?

7. What is the economic function of labor unions in this economy?

8. What is the economic function of business management in this economy?

9. In this economy what encourages people to produce economic goods and services?

Part 2 (Classroom) Time: 10 Minutes

Quiz II - Two Way Matching

Directions: In the blanks provided, match the corresponding definition with the concept.

Concept	Definition Letter (one only)
1. Deflation	
2. Demand	
3. Exchange Rate (Price)	
4. Inflation	
5. Market	
6. Material Wealth	
7. Money	
8. Profit	
9. Psychic Reward	
10. Supply	

Definitions

A. Incentives which stimulate behavior because individuals feel or expect to feel better after that behavior is executed. These feelings are unique to each individual.

B. The amount of revenue left for a producer after all costs of production are paid for. Many individuals and firms are stimulated to produce particular goods and services because they expect to make a profit.

C. Physical items which allow individuals to live in their environment. Traditionally these items have taken the form of clothing, transportation devices, homes, and labor-saving machines.

D. The various amounts of a goods or service which prospective sellers would be willing to sell at differing prices during a given period of time (with all other prices and production techniques remaining the same).

E. A situation within which buyers and sellers communicate with one another and in which exchange of goods and services takes place.

F. The various amounts of a goods or service which prospective buyers would be willing to purchase at different prices in a given period of time (with all other prices, incomes, and tastes remaining the same).

G. Anything generally accepted in exchange for other things--a medium of exchange for other things (paper currency, coins, and checking accounts).

H. The value, in monetary terms, placed upon a goods or service through market interaction between buyers and sellers.

I. When prices fall with no change in quantity or quality of goods, deflation is occurring.

J. The relative purchasing power of the dollar as measured by a market basket of goods and services. When prices rise with no change in quantity or quality of goods, inflation exists.

Activity 9 Time: 45-60 Minutes

LABOR-MANAGEMENT INTERDEPENDENCE EXERCISE

Goals:

The student

1. is able to identify the relationship between resource availability and industrial development.
2. is able to describe the mutual responsibility or interdependence between labor and management.
3. knows that labor-management contracts influence the market price of goods and services.

Materials:

1. Form 9A, General Information (two pages) (one per student)
2. Form 9B, Employee Sheet (1/2 of class)
3. Form 9C, Management Sheet (other 1/2 of class)

Note to Teacher: In this activity elements of the interdependence between workers and industry are introduced. This understanding will lead to the realization that a mutual responsibility between management and labor does exist. Added to this understanding will be the concept of compromise. Although traditional market forces are found to be working in many allocation decisions, other personal factors are currently influencing price and creating a "modified" market condition. The personal values of workers and businessmen have led to decisions regarding wage rates and product price which are different than if determined solely by supply and demand forces. Through this compromising process, the student should develop a better understanding of "modified" market, incentives, and compromise.

Directions:

1. Divide class into groups of six.
2. Three members of each group are employees--three are management personnel.
3. Pass out the following:
   a. Form 9A - To all members (employees and management)
   b. Form 9B - To employees only
   c. Form 9C - To management only

4. Read Form 9A with entire class.

5. Forms 9B and 9C should be read individually and not shared with the other group.

6. Have all employee groups and all management groups caucus separately to discuss personal values and market structure. Teacher should clarify questions that come up. (5 minutes)

7. Return to original groups of six and start bargaining for a contract. (5-8 minutes) NOTE: The first session may be a little confusing and no agreement will be reached.

8. Have employees and management caucus as groups again to plan strategy. (5 minutes)

9. Continue negotiations and caucuses until a contract agreement is reached.

Debriefing:

1. Have each group share negotiated contract agreement.

2. Compare and contrast similarities and differences in agreements.

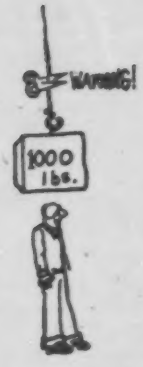
3. Describe individual feelings during each round of negotiations. Toward your position. Toward their position.

4. What personality factors influenced the negotiations and final agreement?

5. Is it possible for one side to obtain all of its demands? What would be the effects?

6. What elements are necessary to arrive at an acceptable compromise?

7. Examine "negotiations" component of Model Chart.



Activity 9 - Teacher Notes

This activity requires the students to accept the roles of employee representative or management representative. Stress the importance of compromise and the mutual responsibility between these two important groups in our economy. Allow the student the opportunity to review the other group's "privileged information" form after the contracts have been agreed upon.

LABOR-MANAGEMENT INTERDEPENDENCE EXERCISE

Part I. General Information

During almost every year workers and employers must try to agree on the way they will work together in the coming year. When both the workers and the employers do agree, they sign a contract that requires them to keep the promises they have made to each other. If they don't sign a contract, then the workers may refuse to work.

This exercise should show you, as a role player, what happens between the employer and the workers, when they try to agree on wages and working conditions for the next year. To help you get a clearer picture of what is happening, you will be given a job as an employer or as a member of the workers' union. Your success in getting a good contract for your group depends on how much you know about items being bargained for and the arguments of both the employers and the union.

You will have some time to study the information you have been given. Then you will have one meeting together with others that have the same job you do, to discuss common problems. After the meeting, you will meet with someone from the other group and try to reach an agreement about next year's contract. You will be given satisfaction points for each of the items from the demands page that you get the other group to agree to on the contract.

The information on this page is available to both groups, but your group is the only one to have the information on the demands page. Be sure that no one from the other group sees your demands page.

General Information About the Employer

The employer, Board Foot, Inc., is one of the largest sellers of lumber in the Washington area. Board Foot has four competitors. These competitors are changing their methods and hope to take some of the lumber business going to Board Foot.

General Information About the Union

The union, Circle Saws Local 1, as part of the teamsters represents the 150 workers at Board Foot. It would take three to four weeks to train replacements for the workers. There are not enough nonunion workers to operate the Board Foot plant if there is a strike.

The History of Labor Relations Between Board Foot and Circle Saws Local 1

Board Foot has reported a steady but moderate increase in profits and productivity over the past eight years. In the past, the company has generally been successful in getting a contract more favorable to themselves than to the employees. It is a well known fact that if a strike took place for a long period of time, the government would step in and try to settle the problem. This happened once before and the Circle Saws Local then made large gains for the workers.

It must be noted that Board Foot, in the past, has not granted many of the union's demands unless their competitors were forced to give these working conditions to their employees first.

The union would find a strike difficult but not impossible for many of its members who do not want a strike.

Other Policies

Government policy has set a wage-price guidepost of 8 percent for the lumber industry. This guidepost is based upon the 1975 productivity and wage levels.

List of Demands

Bargaining Demands of Management and Union

	Current Agreement	Union Demands	Management Demands
Wages:	$5/hr	15 percent increase	5 percent increase
Overtime:	Time and one-half for overtime	Double time for overtime	Stay at time and one-half for overtime
Hours:	40-hour standard	36-hour standard, overtime payable after 36 hours	Keep 40-hour standard
Cleanup time:	Cleanup on own time	15 minutes paid cleanup time	No paid cleanup time
Seniority:	Department seniority	Plant-wide seniority	Department seniority to be kept
Paid Holidays:	Seven	Wants eight paid holidays	Wants only seven paid holidays

Industry patterns:

a. The union has been averaging about 8 percent in wage gains with Board Foot's competitors on wage increase in recent contracts.

b. In the last contracts with two of Board Foot's competitors, the Circle Saws have won double time for overtime.

c. In the last contracts with Board Foot's largest competitor, the union got a 37½-hour week.

d. In all contracts with Board Foot's competitors, the union has won 15 minutes of paid cleanup time.

e. The union has not yet won plant-wide seniority in any other industry.

Part II. Union Demands and Information Available Only to Employee Representatives

1. Importance and Value of Union Demands

Demand	Rank (1 - most important)	Satisfaction Points
Wages	1	1 for each percentage point above 5% (max. 10 points for 15% raise)
Cleanup time	2	8
Plant-wide seniority	3	6
36-hour week (standard)	4	3
Eighth paid holiday	5	1
	Total Points	28

Reasons for Demands

Wages are ranked first because of the increases in the ability of the employees to make things and because the company profits have increased without labor making equal gains. The younger members of the union (about 40%) really want a wage increase.

Cleanup time is second in importance because the membership feels a large part of the increase in their ability to make things has come from unpaid cleanup time. Remember that other firms have paid cleanup time. Circle Saws officials (you) think that unpaid cleanup time for all the workers adds up to 1,875 hours per week, or $9,375 per week in "lost" wages. Older workers with high numbers of years' experience (30% of the membership) are particularly bothered by this.

Plant-wide seniority (number of years of experience on the job) is third because some departments have a large number of experienced workers. In times of slow business, these more experienced men cannot move into other departments and, therefore, must be laid off. Older members of the union are the reason for this demand, to the strong dislike of the younger members. The older members appear to be the more powerful group in the union, but could not convince the younger members to go along without a hard fight in the union.

The 36-hour week is wanted by all members of the union because "shorter hours mean more pay in overtime." This 36-hour week can take any form, but they would like the four-hour cutback in work time to be on Friday afternoon. If a 36-hour week cannot be won, then you should try a less-than-40-hour week. This demand is viewed as a good item to trade for something else.

2. Other Information

The union estimates that its strike fund will allow the Circle Saws to make a 30-day strike. It is possible the union could get money from the National Teamster Union that they are members of, but this depends on the outcome of a national trucking contract being worked on at this time by the Teamsters. Help is unlikely if the National Teamsters go on strike.

NOTE: It may be helpful to look at the importance of the demand to the Circle Saws in deciding your willingness to strike. Also consider weapons available other than strikes, and how long it would take to make up lost wages from a strike. Remember your demands must be fair. If you force the company to make unsound compromises, you may be hurting the ability of the company to compete within the lumber market. If this happened, the company may be forced out of business.

Part III. Management Demands and Information Available Only to Management

1. Importance and Value of Management Demands

Demand	Rank (1 - most important)	Satisfaction Points
Wages	1	1 for each percentage point below 15% raise (max. 10 points for 5% raise)
Department seniority	2	8
40-hour standard week	3	6
Unpaid cleanup time	4	3
Only 7 paid holidays	5	1
	Total Points	28

Reasons for Demands

As a part of Board Foot management, you feel wages must not increase for several reasons. First, Board Foot is losing some of its customers to other lumber sellers. If management is to keep from losing customers, it feels it must keep the profit and the ability to make things the same as they are now. An increase in wages could result in the layoff of eight to ten men, some of them workers with much experience. Secondly, a large wage increase asked by the union would raise Board Foot's wage costs, both regular and overtime, by a large amount. Finally, management feels the guidepost for the lumber industry is too high and out of date. The guideline seems to favor the other lumber sellers and not Board Foot. Board Foot would also like to keep department seniority because of the high costs of plant-wide seniority, especially when the forcing of a worker with more experience off the job actually takes place. Some key jobs in a few departments require special training. This training is expensive and takes a long time.

Keeping the 40-hour standard work week is also important. Cost of overtime and the loss in the amount made because of the worker being more tired are two reasons already mentioned. Board Foot management also feels the number of workers will have to be increased by 10 percent to keep the present level of making lumber. If Circle Saws gets any paid cleanup time, keeping the standard work week will be important to keep cost down.

Management is willing to give some paid cleanup time because other companies are already doing it, but does not want to give 15 minutes. The cost of giving 15 minutes of paid cleanup time is about $9,375 per week.

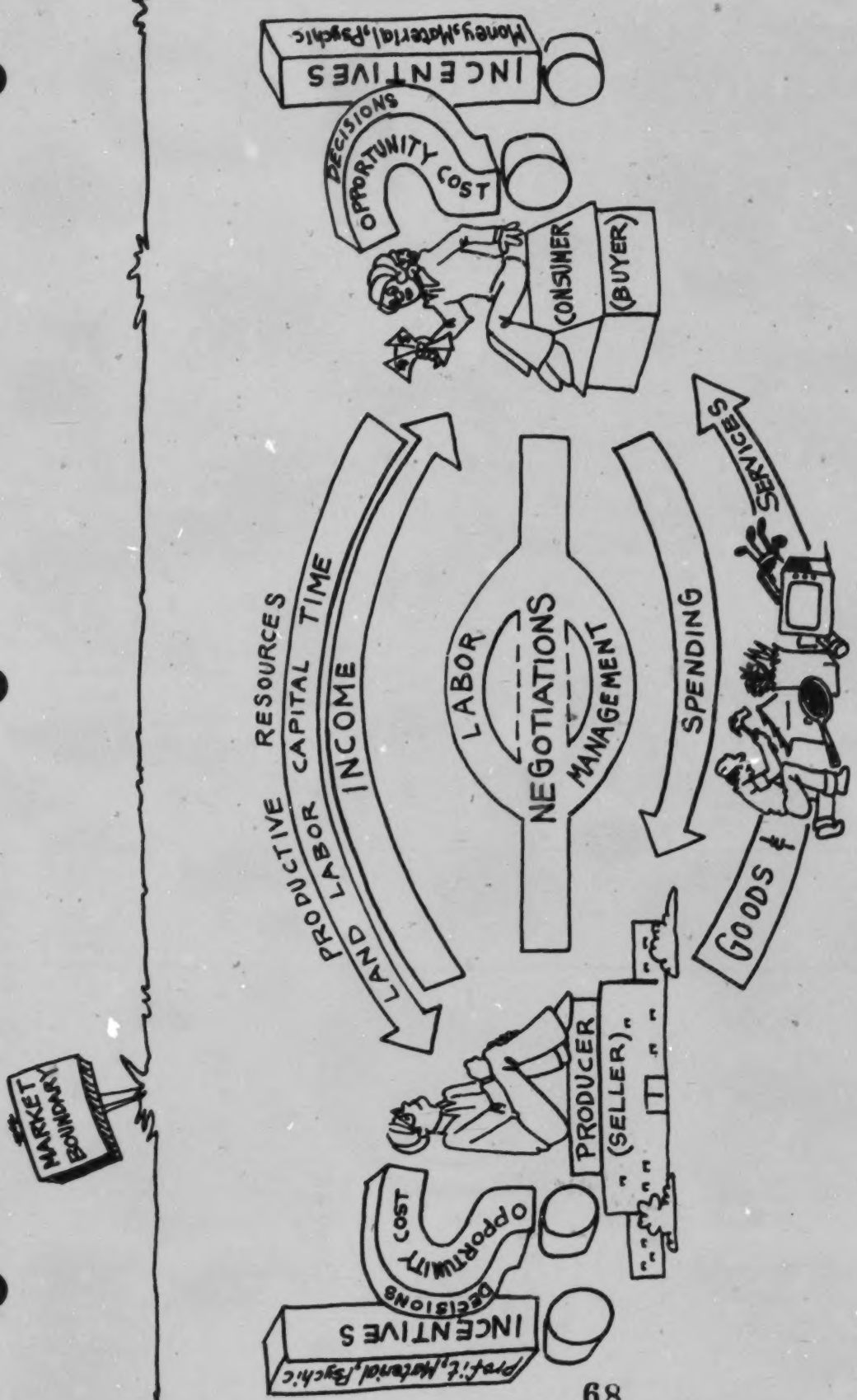
The low cost ($5,200 per year) of the eighth paid holiday makes this a useful exchange item. Note its low satisfaction to management.

2. Other Information

Board Foot thinks it can bear a strike for about 40 days without long-run damage to its profits or ability to make things. However, management must not forget its contracts to sell lumber to five suppliers and the experience under government settlement of the previous contract. Management also respects the abilities of its employees and realizes that they have helped contribute to the company's past success.

NOTE: Management must respect the abilities of its employees and realize they have contributed to the company's success. Unreasonable settlements will result in lower morale and possible loss of best employees to competing firms.

AT THE CONCLUSION OF ACTIVITY #9, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Activity 10 (Classroom) Time: 30 Minutes

PUBLIC AUCTION: Inflation/Deflation

Goals:

The student

1. knows the effect of the money supply on price.
2. knows the effect of supply and demand on price.
3. knows what inflation is and what factors may cause it.

Materials:

1. Three candy bars per class
2. Money packets - Form 10A (varied amounts for each student)

NOTE: We urge you to use this activity because it has been proven effective in teaching inflation, etc. We suggest you find a school source of money for the bars and determine ahead of time with the administration where the profits are to go.

Directions:

1. Set up a public auction environment by bringing three candy bars to class for sale. (Do not tell the students how many bars you have.)
2. Inform the class (in the first round) that a candy bar will be sold to the person who is willing to pay the highest price. The students must use their own money and pay immediately.
3. Allow the highest bidder to obtain and eat his/her "prize" immediately.
4. Repeat the above procedure a second time - allow the students to use I.O.U.'s. Payment should be made the next day.
5. Repeat the above procedure a third and final time. Provide students with packets of money (description enclosed) which have been "run off" and counted into various amounts by the teacher. The packets of money should range from 1 to 25 dollars. After each student has his/her income, inform them that one last candy bar is to be auctioned using the "new" money.

Debriefing:

1. Which candy bar sold at the highest price? Why?
2. Which candy bar sold at the lowest price? Why?
3. Were the prices different than you would find in local stores? Why?

4. List on the board the behaviors resulting in price changes in the Big Apple and another list for the auction. Can you determine the cause(s) of the price changes in each situation?

5. What seemed to cause the inflation?

6. How would you successfully solve the problem of inflation using the information gained from the auction activity? (A short 10-minute lecture on monetary policy might be appropriate after the students have tried to work out the problem. See reading What Causes Inflation? on the next page.)

Activity 10 - Teacher Notes

You should read the article "On Prices and Wages and Running Amok" before the activity takes place. The reading can supply you with background knowledge for personal use or lecture material. Be sure money packets are available for the third round of this activity. The amount of money in each packet is up to you, but the greater the sum the greater will be the inflationary pressure. Note there is the possibility that students will pool their money. This is acceptable.

MARKET SURVEY

Debriefing Questions for Activity 2: (Page 23)

1. Compare unit price variations between stores and different brands. Explain differences - similarities.

2. Which commodities had price variations during the three weeks?

3. Which commodities had the highest and the lowest percentage variation?

4. What is the total dollar variation for this market basket of goods during the three weeks? (percentage)

5. Looking at national and community events over past three weeks, hypothesize causes of variations.

Activity 2 - Teacher Notes

The price variations over the 3-week period probably reflect more accurate price changes than those indicated in the Big Apple.

Teacher Reading for Activity 10

INFLATION

On Prices

&

Wages

&

Running Amok

Readings

---

7 1

WHAT CAUSES INFLATION?

Long ago, an anonymous economist said inflation was caused by too much money chasing too few goods.

Since then no one has come up with a better description of what causes the major type of inflation—"demand" inflation. Sometimes it is called "demand-pull" inflation.

DEMAND INFLATION

Here's an easy way to visualize demand-pull inflation.

Suppose a group of people go to an auction prepared to spend all the money they have. It doesn't really matter what is being auctioned off—cattle, antique furniture, rugs or phonograph records. The main point is that everyone who goes to the auction wants what is being sold so much that he is willing to spend every dime he has buying as much as he can of the item.

Say the item is cattle. A lot of people want to buy beef.

Well, the auction starts. The first steer is shown and people start bidding. The price is bid higher and higher until all but one person quits bidding. He gets the steer. Prices for the other steers could go higher or lower during the auction, but eventually every steer will be sold and everyone will be out of money.

Now suppose the same size group goes to a similar auction the next day. Each person starts out with the same amount of money. There are the same number of steers to be sold.

But suppose that just before the bidding begins somebody comes along and gives each person an extra $100. Now these people are all eager to buy beef, just as eager as they were the day before. They also are just as willing to spend every penny they have to buy beef—including their extra $100.

The bidding begins again. Soon everybody notices that the bidding on each steer is going higher than the day before. Everyone realizes he must bid higher than the day before or he won't get any beef. So everybody bids higher and higher and higher.

When the auction is over, everyone is once again out of money. As a group, they haven't purchased any more steers—there weren't any more to buy than the day before. But the price of the steers averages considerably

more than the day before. *The supply was the same, but people had more money so prices went up.* The same sort of thing happens throughout the nation when money increases faster than goods. Of course when this happens, money is chasing more than one thing. It is chasing cars, cattle, radios and refrigerators, everything.

And, of course, when people have more money to buy these things, the people who produce them try to make more of them. They try to make more radios and refrigerators and more cars and more cattle . . . Cattle?

You see one problem right away. It takes two years to produce more cattle.

The situation with radios and refrigerators and automobiles is a bit different. More can be produced pretty quickly but the new units could be more expensive. For the moment, let's stick to the cattle example.

More Money. Where, you ask, does the extra money come from? Surely nobody is going around the country passing out $100-bills. No.

The extra money can get into the nation's spending (bidding) activity in a number of ways.

Remember what happened after World War II? People took lots of money out of their savings accounts and started spending it. That's an example of a spurt in *private demand*. Sharply increased spending by individuals and companies can cause inflation if there aren't enough goods to supply this demand. This is one form of demand inflation. That demand can come from foreign countries as well, providing more buyers and more money to compete for the existing supply.

Another way for extra money to get spread around the nation is for the Government to spend a lot more than it collects in taxes and other revenue. The relationship between what a Government spends and what it takes in is an expression of its *fiscal policy*. At times the Government will deliberately spend more than it receives as a way of perking up the economy. At other times excess spending will be prompted by external events. Big Government spending during the Korean War resulted in the inflation of that period.

There's a third way lots of extra dollars can get put into the nation's money supply. That's through the Federal Reserve System, which is run by the Government. The Federal Reserve issues all the paper money used by the economy. (Look at the dollar bills in your pocket.) The Federal Reserve also attempts to control the amount of money available to banks for lending.

The regulation of the amount of money available for spending in the economy is called *monetary policy*.

Three things, then, can contribute to demand inflation: private demand, fiscal policy and monetary policy. Each can be measured and, to some extent, controlled.

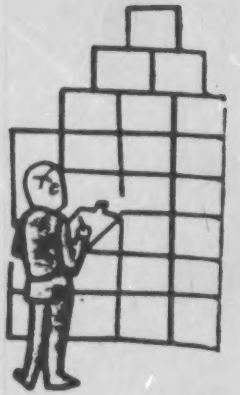
But there's a fourth factor that is much harder to measure and impossible to control: What people expect to happen to prices and wages.

If people think prices are going up tomorrow, they are likely to rush out and buy as much as they can today. They are more likely to borrow money to buy things at what they think are bargain prices.

Businesses are likely to build big inventories stocking up more goods than they really need.

Labor unions are likely to demand higher-than-usual wage increases in their new contracts to make up for higher prices they expect in the future.

So add another factor to the causes of demand inflation: *expectations*.



COST INFLATION

There's another type of inflation that economists called "cost inflation." Sometimes they call this sort of inflation "cost-push" inflation. And some economists call it "sellers' inflation."

This is the sort of inflation that is going on when prices are rising even though there isn't "too much money chasing too few goods."

In this sort of inflation, you see prices and wages going up even though sales may be decreasing and more and more people are out of work.

If everything operated according to the so-called "law" of supply and demand, this couldn't happen. When demand for goods or services goes down, prices should too.

That's what would happen in our example of the cattle auction. If only half as many people showed up for the auction, or the same amount of people showed up with half as much money, the price of steers would go down.

But some parts of our economy don't operate like an auction. In some activities, big corporations and big

unions seem able to push prices and wages up even when demand is steady or going down. They are able to do this because competition to provide the goods and services is limited or restricted in some way. Economists call this "market power."

You can probably think of a number of examples where prices and wages go up even when demand is steady or goes down, even when there is an excess of production capacity.

Economists noticed and named "cost" inflation in the 1950's but they aren't in agreement about the causes.

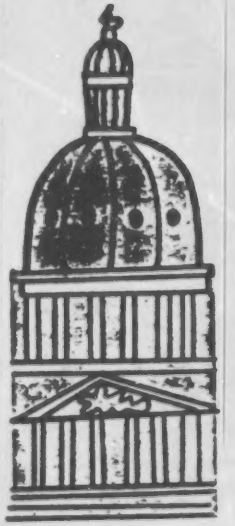
Some economists say this sort of inflation is really just the second phase of demand inflation. After demand is lowered and some prices level off, they say, labor and business "catch up" with the previous inflation by getting higher wages and higher prices.

Maybe so, say other economists, but neither business nor labor could do this in the face of declining demand if they didn't have the "market power" to enforce their will.

It isn't necessary to try to settle this argument now, but you might want to form an opinion.

Your opinion on this point may influence your opinion about what Government can do about inflation.

WHAT THE GOVERNMENT CAN DO



To figure out what the Government can do to stop inflation, you must first figure out what is causing the inflation you want to stop. The cure should match the disease.

Say, for example, that the inflation is caused by excess private demand—demand so strong that there just aren't enough workers and factories to produce everything that people want to buy. (Remember again what happened after World War II.)

In that sort of situation the Government can try to stop inflation by imposing *credit controls*. It can require that down payments for automobiles, appliances, furniture and so on be much higher than usual. It can also require that time payment plans be relatively short; that, for example, an automobile be paid for in 12 months instead of 36.

Either way these credit controls reduce demand by reducing the number of people who can afford to buy goods on credit. Some people won't be able to buy because of the higher down payment; others won't be able to afford the higher monthly payments. There have been times in the past when the Government has used both devices to reduce demand. But these controls are not popular, and they are only appropriate if private demand exceeds the ability of the nation to produce wanted goods.

Another way the Government can reduce demand is by *increased taxes*. The more taxes people and corporations must pay, the less money they have left to spend. People have less money to spend on consumer goods—things like bicycles, refrigerators, electric can openers, etc. Corporations have less money to invest in new factories, warehouses, stores, etc. The pace of the economy slows down.

In addition to reducing private demand, increased taxes can help the Government achieve a more balanced fiscal policy. We've seen that the Government can contribute to inflation by spending more money than it receives. Government can bring its budget into balance by spending less, taxing more—or both.

Increasing taxes is, of course, a very unpopular thing to do. People don't like paying more taxes for any reason, even if they are told this is necessary to curb inflation. And politicians don't like to take the blame for anything that is this unpopular. Another disadvantage

is that it takes many months—sometimes more than a year—for new tax laws to be passed.

Another way that demand can be cut back is by reducing the supply of money. The Federal Reserve System—which is part of the Federal Government—can do this in a number of ways.

The Reserve can sell Government bonds on the open market. Banks are usually the biggest purchasers of these securities; the Reserve collects from the banks by deducting the bond price from reserve deposits held for the banks. As a result of these confusing but important transactions, the banks have less money to loan. This is the main way the Reserve reduces the nation's money supply.

In addition, the Federal Reserve can raise the amount of money banks must keep in reserve against deposits. (Banks lend or invest money they don't have to keep in reserve.) The Federal Reserve could, for example, say that banks must keep one dollar on reserve for every five dollars in deposits. If the previous requirement had been to keep in reserve only one dollar for every ten dollars on deposit, this change would reduce the amount of money available to the bank to lend.

The Reserve also has the power to raise or lower discount rates—the interest rate the Reserve charges when it loans money to banks. It also can set margin (down payment) requirements for the purchase of stocks and bonds.

SOME PROBLEMS

So Government, then, can reduce demand through either fiscal (increased taxes) or monetary (reducing the money supply) policies.

Either way, there are problems.

Unemployment. If demand is cut back too quickly or too sharply millions of people can find themselves out of work. That's because with less demand for goods, factories will produce less; workers will be laid off.

And people will have less money to buy services. A family may decide not to fix a broken television set; that means less work for the repairman. With less money in his pocket, the repairman may decide to spend less money for extras—a fishing rod or a bowling ball. So stores that sell fishing rods and bowling balls have fewer customers; they decide to lay off some sales clerks.

The whole thing starts snowballing and before you know it inflation is not the nation's number-one problem; unemployment is.

Teenagers are more likely to be out of work during periods of high unemployment than any other age group. *Blacks and other minority groups* also suffer more from unemployment than others.

Housing. The building of new homes and apartments is very sensitive to Government attempts to influence demand in the economy, especially by regulation of the money supply. When the money supply is cut, banks and savings and loan associations have less money for construction loans and mortgages. Soon builders discover that prospective house buyers can't get mortgages, so they build fewer homes. If a builder has more houses already built than he can sell, he may stop constructing houses at all.

Carpenters, plumbers, brick masons and all the other tradesmen who build houses have less work to do. Many become unemployed altogether.

And families who want to buy homes discover they can't. A family may have been dreaming of a home and saving for it for years, only to discover that through no fault of its own, it cannot get a mortgage.

Thus, just as we have seen that inflation is disruptive, attempts to dis-inflate the economy can be disruptive also.

In fact, economists have shown that some increase in prices—and thus some inflation—is necessary to prevent unemployment.

So the task of the officials who set the Government's fiscal and economic policy is to achieve a fine balance between too much and too little. Too much Government spending and too much money floating around can produce inflation. Taxes that are too high or policies that result in a scarcity of money can lead to a recession.

INCOMES POLICY

Any attempt by the Government to influence wage and price decisions outside the regular working of the economy is called an "incomes policy." These are attempts to influence prices and wages in ways other than across-the-board fiscal and monetary policies.

An "incomes policy" can be gentle or it can be tough.

Some Administrations have developed voluntary "*guidelines*" for wages and prices. These guidelines have been based on what Government economists figured would not upset the economy. Usually most attention has been focused on major industries.

Presidents and their aides have attempted to persuade union and industry officials to accept the guidelines voluntarily. They do this both publicly and privately. Such attempts at persuasion are called *jawboning*.

Sometimes jawboning has worked. Sometimes it hasn't. Guidelines seem to break down when demand strains the country's production capacity.

Controls. Direct controls on wages and prices are a more severe form of incomes policy.

During World War II and the Korean War, the nation had very strict wage and price controls, along with rationing of most items. The controls regulated the price of almost everything and took tens of thousands of officials to administer.

On Aug. 15, 1971, the Government froze prices and wages for 90 days. Following this, prices charged by large corporations—and the wages paid by them—were controlled by what was known as Phase II of the control program. Companies were allowed to increase prices to pass along increased costs if the higher prices did not increase their customary profit margins. (Profit margins are the difference between costs and sales. If, for example, it costs $1 to manufacture a dozen pencils and the manufacturer sells pencils for $1.15 a dozen, the profit margin is 15%.)

Wage increases were limited. The rules for wage increases were flexible but the general guidelines were that wage increases should be limited to an average of 5.5 percent a year, plus .7 percent in fringe benefits.

Since Phase II did not regulate prices on an item-by-item basis, it could be administrated by a relatively small Government staff—about 1,000 people. The Internal Revenue Service was charged with enforcing the regulations.

A new control program, Phase III, began in January, 1973. It retained many of the features of Phase II but relied more on voluntary compliance. Companies were not required to obtain Government approval in advance of increasing prices.

In June, 1973, prices were frozen again for a period not to exceed 60 days. During this period Government officials talked with spokesmen for consumers, business, unions, farmers and others to aid in planning a Phase IV economic control program.

Pro and Con. Wage and price controls, and even guidelines, are controversial.

Some economists oppose any form of incomes policy. They say guidelines amount to unwarranted attempts by the Government to influence the free workings of the economy. Usually these economists say guidelines won't work anyway. And they are horrified at the prospect of direct controls.

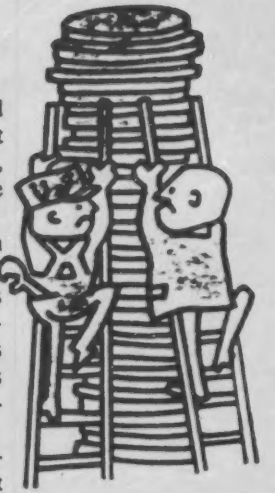
Other economists favor guidelines but oppose controls. They say Government has an obligation to set rough standards for business and labor to follow but shouldn't attempt rigid controls.

Their main argument is that a free market system is much more efficient in allocating the country's resources than any Government agency could be. This is what they mean by that:

When demand for an item goes up in a free economy, the price increases. So does the profit. When other manufacturers see how profitable the item is, they decide to begin manufacturing it also. Soon the supply of the item has increased so much that it catches up with the demand. If production is increased even more, the price can go down. But the point is that prices have served to "signal" an increased demand for a product and to bring about an increase in the supply of the product.

The mechanism also works to allocate labor and capital (money). When people see wages in a particular trade going way up, more and more people decide to enter that trade. The same thing works for capital: people invest their money where they can get the greatest return.

A third group of economists, however, notes that the real world doesn't work like economic textbooks say it should. These economists point out that wages and prices in many industries hardly ever come down: they only go up. Instead of lowering prices, manufacturers in these areas simply produce less. Workers in these industries don't suffer pay cuts, although they make less



overtime when demand is down. Instead of wages going down, fewer people are employed.

In fact, these economists note, wages and prices in these industries may go up even when demand falls.

These companies and workers are somehow protected from the competitive forces of a free economy.

Sometimes, one or two firms in an industry are so large that they don't have to worry about another company starting in business to compete with them.

In some cases one, two or three firms produce such a large share of the market that they set the price and smaller producers follow.

Labor unions, by striking or threatening to strike, are often able to win wage increases even when demand for what they produce—and therefore for the worker's services—is declining. And union contracts set a minimum on the wages of all members; their wages seldom go down.

For all of these reasons, this third group of economists say that the Government must step in and regulate prices and wages during periods of "cost" inflation.

Fiscal and monetary policies curtail "demand" inflation, but they can't do the job alone in time of "cost" inflation. Direct controls, they say, are needed to regulate industries which escape the consequences of lower demand.

This is a controversial position. Economists are likely to be arguing about it for a long time to come.

WHAT WOULD YOU DO?

Well, now you see the problem.

Inflation can result from *increased demand*. This can be the result of increased *private demand*, increased *Government spending* or increased *money supply*.

Inflation can result also from *increased costs*; sometimes these costs go up even when demand falls because of *market power*.

Where We Are Now. The inflation of the late 1960's and early 1970's was caused by a combination of factors.

Economists disagreed about how it got started. Some economists say the inflation had started and become widespread many months before the beginning of the Vietnam War build-up. Others say massive Government spending for the Vietnam War, beginning in 1965, was the major cause of the inflation of that period.

Most economists agree that the failure to immediately levy taxes to pay for the war made inflation worse. A 10-percent surtax was levied on corporate and personal incomes in mid-1968, but economists say the fires of inflation were already raging furiously then.

In 1969 and 1970, the nation's money supply was cut back. Interest rates went up. So did unemployment. By 1971, it appeared that the causes of "demand" inflation had been extinguished. But prices continued to rise anyway. Economists blame the price increases on "cost" inflation. That was the situation when the 1971 wage-price freeze was announced.

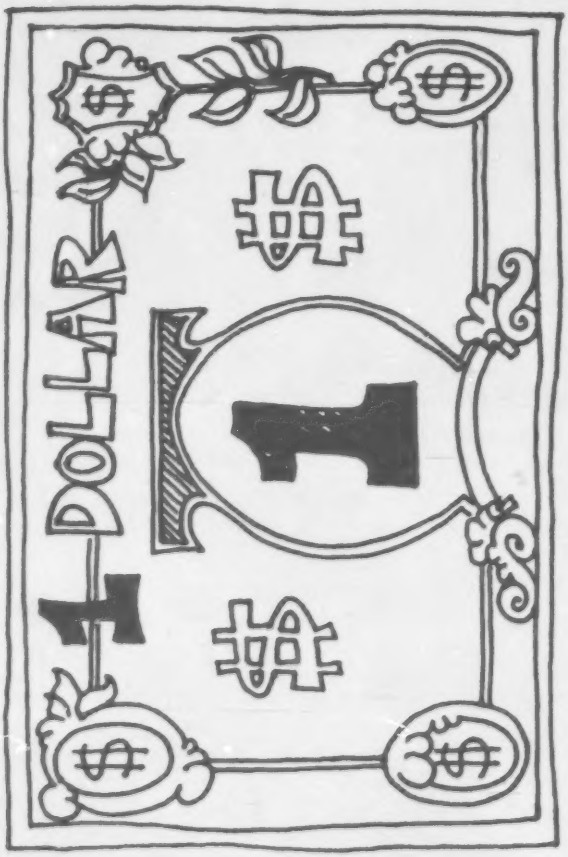
By 1973, the economy had changed. Business was booming. Some industries were producing at close to capacity. Some items were in short supply. Unemployment continued relatively high, but in some fields there was a shortage of skilled workers. The nation appeared to be suffering from both cost and demand inflation.

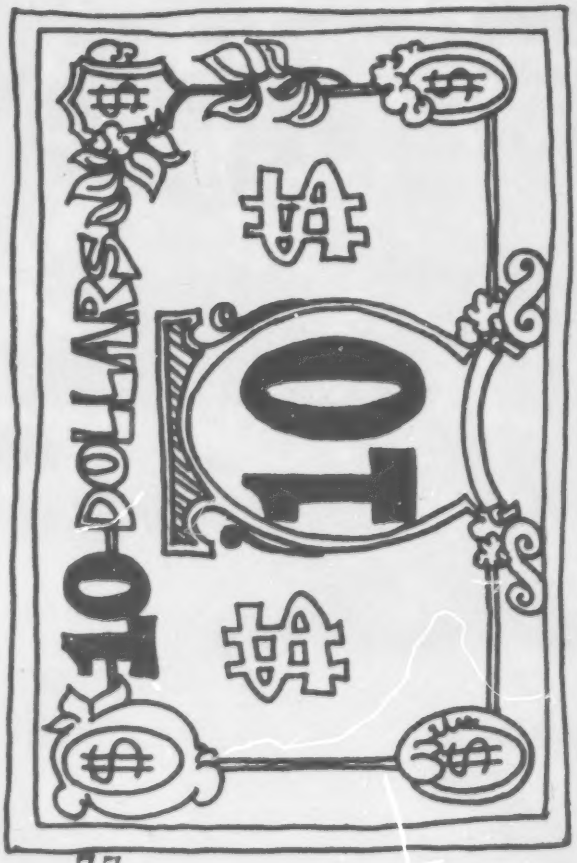
SOME CHOICES

So, reviewing what has been said about the causes and cures of inflation, consider these anti-inflation options available to the Government:

Increased taxes
Decreased money supply
Guidelines and jawboning
Wage and price controls
Credit controls

FORM 10A





Activity 11 (Classroom) Time: 20 Minutes

ECONOMIC POLICY MAKERS

Goals:

The student

1. knows the basic tools used by the government to stabilize the economy.

2. knows how these policies work in combination to combat the problems of inflation and recession.

3. is able to hypothesize solutions to three economic problems.

Materials:

1. Student Reading, Form 11A (one per student)

2. Form 11B (one per student)

TASK I

Directions:

1. Hand out Form 11A

2. Discuss the reading.

Debriefing:

1. What help do government officials have in making policy decisions? Do government officials have help in making economic policy decisions? What form does this help take? (Advisors)

2. In the reading, what economic problem was being discussed? (Stagflation)

3. What policies are available to help solve economic problems? Explain them fully. (Fiscal Policy--the ability to tax and spend money; Monetary Policy--the ability to restrict or expand the purchasing power of people. This is done by changing the rate of interest.)

4. Would one of these policies have helped reduce the inflation pressure in the candy bar auction? Explain. (Monetary policy would have restricted the supply of money reducing the individual's ability to bid up the price.)

TASK I - Teacher Notes

This will be the beginning of two difficult tasks in the unit. Students will be making decisions with very limited information on complex problems. This is also an area where people have many preconceptions, and you may be able to break down some student myths.

Although we have combined these policies under the heading of government officials, in reality fiscal policy is conducted by the Federal Government and monetary policy is controlled by an autonomous agency called the Federal Reserve Board. For a more complete understanding, read pp. 196-298 in Economics for Everybody by Gerson Antell and Walter Harris, AMSCO School Publications, Inc., 315 Hudson Street, New York, NY 10013. (Write for a sample copy)

ECONOMIC POLICY MAKERS--DILEMMA TO DECISION

Many days in the life of government officials are spent in meetings with advisors. These advisors are hired by the officials to help them make the best decisions given their political philosophy. Currently many hours of the officials' time is being used to discuss the country's economic condition. Their advisors are working closely with them to solve a unique problem given the title "stagflation." Stagflation is a situation which couples rising prices with increased unemployment. This situation, according to early economic theorists, is impossible, yet it happened.

Traditionally, government officials have two economic policy areas they could use to help solve economic problems. One, Fiscal Policy, incorporated the government's ability to manipulate taxes and spend its own budgets to either stimulate or slow down economic activity. It is thought that when an economy needs a transfusion to help cure the ills of recession (unemployment and low productivity), the government can inject money into the economy by reducing taxes--giving consumers more money to spend--or by spending its budgets--increasing the demand for certain goods and services. In an inflated economy fiscal policy can be reversed to reduce pressure of rising prices by increasing taxes and cutting down on government spending.

Monetary Policy is a tool the government officials have to help solve economic problems. Various monetary policy decisions affect the amount of money people can obtain to spend. If the economy is in recession (large unemployment and reduced production), monetary policy can reduce interest rates on loans which will encourage individuals and institutions to borrow and spend more money. Likewise in an inflated economy government can reverse this policy to draw off purchasing power to reduce spending for goods and services (lowers demand).

Government officials must decide how to use these two policies to help cure the problem of "stagflation." However, they have a dilemma for if they use their policies to cure inflation, they are increasing the amount of unemployment and low productivity. If they attempt to deal solely with the recession, prices will be forced to rise.

The economic policy makers are trying to combine aspects of these policies which will cure "stagflation." No one is quite sure they will work. Time will tell.

Activity 11 (Classroom) - continued

TASK II — Time: 30 Minutes

Directions:

1. Distribute Form 11B and have students read.
2. Student, individually, write a solution for each of the problems on Form 11B.
3. Organize the class into groups of three. Each constitutes a council of economic advisors to the President.
4. Each council member shares his/her solution to each case.
5. Each council must arrive at a consensus solution for each case.
6. Conduct a class discussion analyzing council decisions.

Debriefing:

1. What is the problem in Case I? Identify causes and possible solutions.
2. Repeat for Cases II and III.
3. Examine "government and financial institutions" component of Model Chart.

TASK II - Teacher Notes

This is the second difficult task. Don't expect students to have a complete answer to these problems. They are only developing hypotheses at this time. Through group interaction the answers should become more complete. If time permits, you might wish to invite a knowledgeable community person (business, banks, labor, government employee) to explain their recommended solutions to these problems. Students may have trouble understanding the concept of government deficit spending in recession.

Possible Answers--

Case I - Government can reduce spending, increase taxes, and increase the cost of credit (i.e., raise interest rates). One or various combinations of these policies would be appropriate.

Case II - Government can increase spending, decrease taxes, and decrease the cost of credit (i.e., lower interest rates). One or various combinations of these policies would be appropriate.

Case III- A variety of policies will have to be used in this situation. The government may reduce its expenditures in the inflationary areas, increase taxes on these inflated goods. Credit should be made expensive in the inflated areas.

Unemployment problems may be dealt with by retraining programs (government expenditure); tax reductions in the hardest hit areas. Interest rates on loans should be reduced in these areas.

Form 11A

SO YOU ARE AN ECONOMIC ADVISOR

Below you will find three cases which identify economic problems that must be solved. As an individual you are to recommend possible solutions to each problem. Remember the information you learned from the Candy Bar Auction and the "Economic Policy Makers--Dilemma To Decision" reading. You will later be given the opportunity to discuss your solutions in groups and with the total class.

CASE I:

The nation is experiencing unprecedented rise in prices. Prices have increased 14% in one year. Businesses, seeing the possible profits to be gained, have begun to increase production; but to this date, inventories are still low.

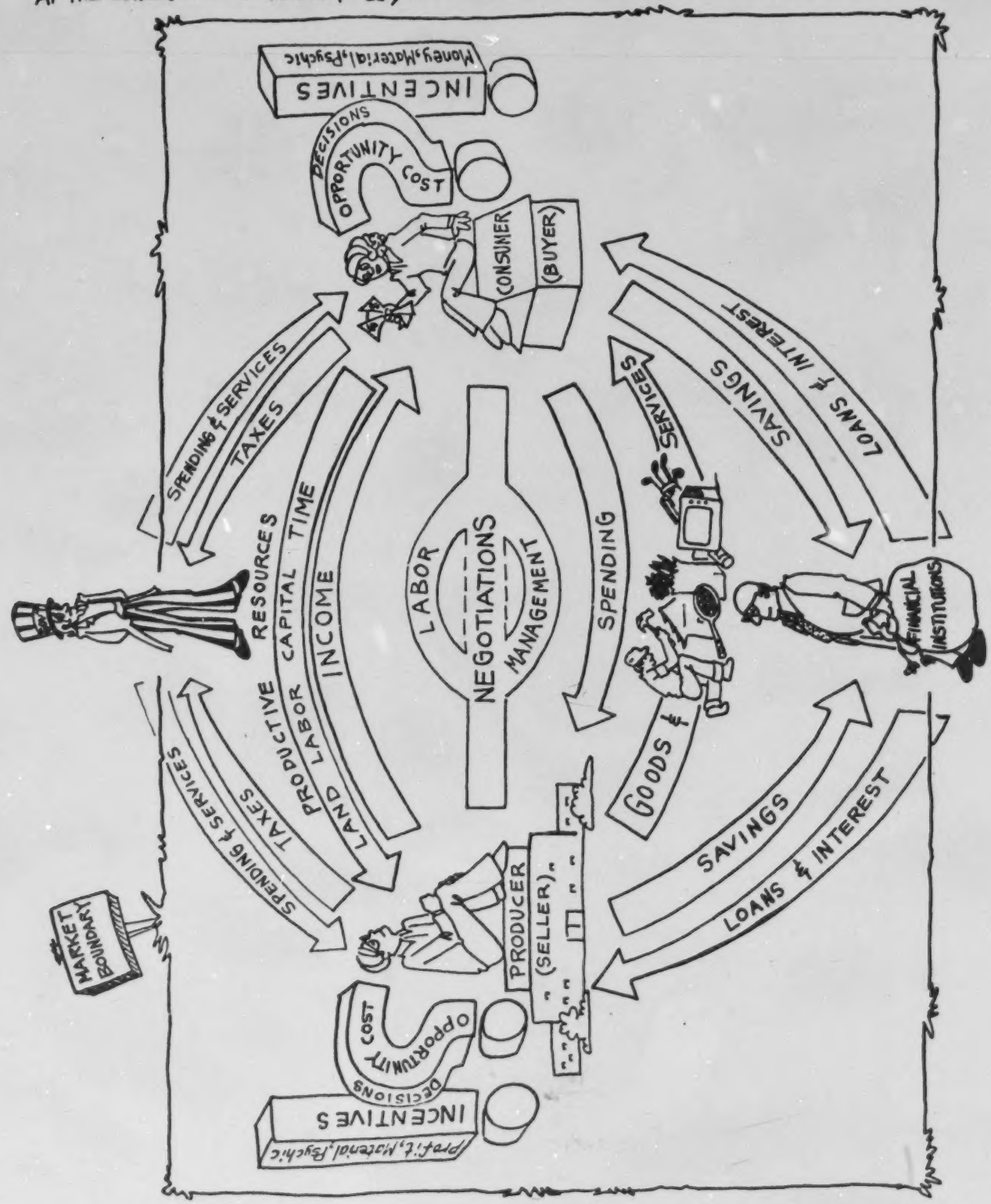
CASE II:

The nation is experiencing an economic decline. Businesses are laying off their employees and some have even closed down. All economic indicators predict deflated or depression economy. G.N.P. is falling, automobile sales are down and inventories are soaring.

Case III:

The nation is experiencing some unique economic events. The inflation rate is running at 9% with most of this increase concentrated in the petroleum, food, and energy industries. Meanwhile, the unemployment rate has risen to 8%. Unskilled workers and automotive employees are heavily impacted.

AT THE CONCLUSION OF ACTIVITY #11, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



Activity 12 Time: 45 Minutes

SOCIAL COST (A SIMULATION GAME)

Note to Teacher:	This simulation game is an activity in which students play the roles of community leaders, concerned citizens and others in the community. The activity involves the students making decisions about problems in an urban environment, many times related to "Social Cost." Each small group plays the role of a different segment of the community. During the activity, each group presents its side of the situation in order to influence the decision-making body in its favor. All groups have a choice to be heard.

Goal:

The student is able to define and give examples of "social cost."

Materials:

A 24" x 36" enlargement, or an overhead projector, or at least one copy of Form 12A per four students.

Directions:

Before class begins -

1. Put the following information on the board:

   Pleasantville is a city on the Jackson River, located anywhere in the United States. Population is 75,000 and increasing, causing demands for additional downtown parking. The Chamber of Commerce of Pleasantville has requested the City Council to rezone a section of the downtown area for a large parking garage. The property in question is located in the city center on a four-lane main arterial of the city. Property includes a portion of a city park and a low rent apartment complex. The rezone request is for approximately one-half of one city block and will park 400 cars. The interest groups involved in this proposal are:

   a. Chamber of Commerce
   b. Save Our Parks Committee (SOP)
   c. City Street Improvement Committee
   d. Apartment Dwellers
   e. City Planning Commission
   f. City Council

   Additional information about the problem:

   a. The park is the only green belt in the area.
   b. Present parking space in this area is inadequate.

2. Post an enlarged map of Pleasantville at the front of the room or make an overhead projector transparency. See Form 12A.

When class begins -

1. Read with the class the problem statement on the board. Clarify.
2. Name the interest groups that will be concerned with the problem.
3. Organize students into six equal groups - one for each interest group.
4. Let students meet in their groups for 15 minutes to organize their thinking in support of their roles concerning the problem.
5. Tell City Council members that they should become familiar with the problem and that they are responsible for conducting the town meeting. This involves the physical layout of the meeting such as chair arrangements, a table for the Council, keeping order, allowing equal speaking opportunities for all groups, etc.
6. At the end of 15 minutes, tell the City Council to call their town meeting to order.
7. 15 minutes before the end of the period, ask the City Council to conference for 5 minutes and render their decision on the problem.
8. 10 minutes before the end of the period, have students discuss the following:

Debriefing (class discussion):

1. Do you think the City Council made a fair decision? Explain.
2. Which interest group was most influential? Why?
3. Which group will suffer the greatest "social cost" as a result of the City Council's decision? (In other words, which group must make the greatest sacrifice in order that another group gains something?)
4. Identify several examples of social cost in your community. (Any kind of pollution, graffiti, etc.)
5. Examine "Social Cost" component of Model Chart.

Activity 12 - Teacher Notes

Suggestion: If time permits, allow students to accumulate information about the role they will be playing in this exercise (i.e., they might interview Chamber of Commerce representatives). If time permits, you might allow 2 days for this activity.

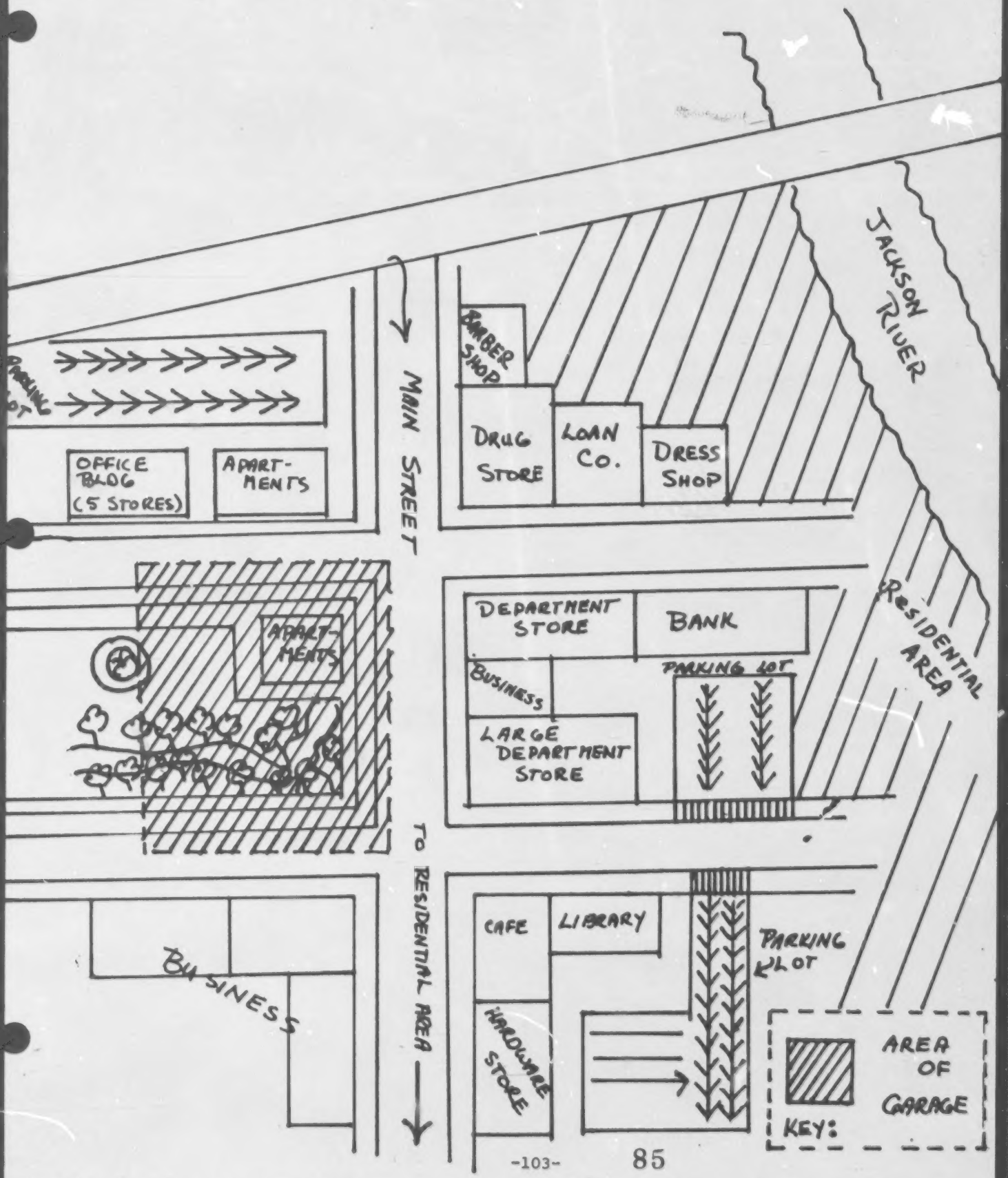
Each student should receive a copy of Form 12A (map of community).

Please feel comfortable that any decision made by the City Council is appropriate. The most important parts of this activity are the reasoning process involved and the ability to identify social cost.

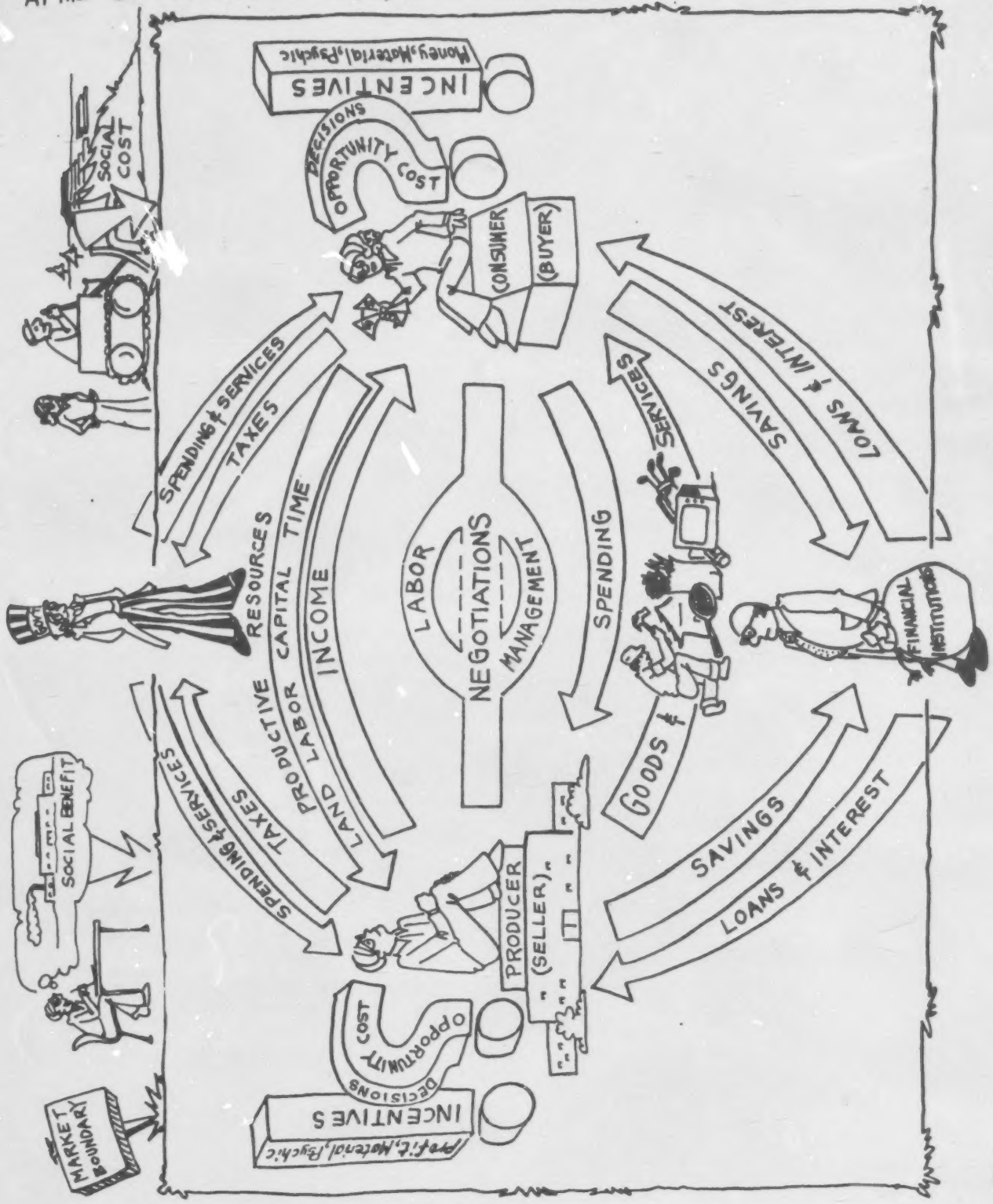
Debriefing is critical to this exercise.

FORM 12A

PLEASANTVILLE



AT THE CONCLUSION OF ACTIVITY #12, YOUR MODEL CHART SHOULD LOOK LIKE THIS:



BASIC KNOWLEDGE EXPECTATIONS

SCARCITY AND OPPORTUNITY COSTS

1. What is the basic problem faced by every economic system?

2. What basic questions must every economic system answer?

3. What are four basic economic resources?

4. What is "opportunity cost"?

MARKET

5. What is a capitalistic economic system?

6. What are major characteristics of a capitalistic economy?

7. How does the American Economic System compare with a capitalistic economic system?

8. Define the following economic terms. They are important to understand how markets operate.

   (1) Supply

   (2) Demand

   (3) Price

9. What are three techniques used in the American economy to solve basic economic questions?

10. What is the government's economic role in the American economy?

11. What is the economic function of labor unions in this economy?

12. What is the economic function of business management in this economy?

13. In this economy what encourages people to produce economic goods and services?

INTERDEPENDENCE

14. Show how there is a circular flow of economic activities in this economy.

15. Define the terms inflation and recession.

    (1) Inflation

    (2) Recession

16. Identify two basic methods the Federal government can use to stabilize the American economy.

17. What is a social cost?

18. What is a social benefit?

COMPREHENSION TEST

Directions: Circle the letter that represents the correct answer.

1. Which of the following answers best describes the basic economic problem?

   a) Negotiating a fair wage with your employer

   b) Making choices on how to use resources

   c) Calculating profit from business sales receipts

   d) Inflation

2. Which of the following examples best illustrates opportunity cost?

   a) I didn't buy that hairdryer because I didn't like it.

   b) I went to see my uncle because my parents forced me to.

   c) I went to the movie last night instead of going to the drag races.

   d) I didn't buy the car because I wanted to make a larger down payment.

3. Everyone knows that baseball is far less necessary than food and steel, yet they pay ball players a lot more than farmers and steelworkers. Why?

   a) Ball players are really entertainers rather than producers.

   b) Ball players are more skilled than persons who get less pay.

   c) Excellent baseball players are scarcer relative to the demand for their services.

   d) There are fewer professional ball players than farmers or steelworkers.

4. If the government were to levy a tax of one dollar on every pair of shoes sold, which of the following would most likely result?

   a) Consumers would pay a higher price for shoes and probably buy a smaller quantity.

   b) Suppliers would increase the quantity sold in order to offset the taxes paid to the government.

   c) Consumers would pay a higher price and as a result suppliers would make larger profits.

   d) Suppliers would sell more and charge a higher price.

5. Assuming that the supply of apples remains constant as the demand for them increases, its price will normally

   a) Fall

   b) Rise

   c) Stay the same

   d) Either rise or fall

6. Government agencies generally try to increase the money supply when they want to

   a) Fight unemployment in recessions

   b) Fight inflation

   c) Hold down the government debt

   d) Make large profits

7. Which basic economic question(s) must all economic systems answer?

   a) What goods and services to produce

   b) How to produce desired goods and services

   c) Who will receive the produced goods and services

   d) All of the above

8. Assume the country has a severe inflation problem. Which of the following policies should the government pursue?

   a) Increase government expenditures

   b) Make it easier for consumers to obtain credit

   c) Increase the government debt

   d) Decrease spending on government projects

9. If all citizens decided not to travel by car during their summer vacation, which of the following people would be affected?

   a) Auto mechanics

   b) Washington State highway patrolmen

   c) You

   d) All of the above

10. An economic action requires the use of resources. If a fruit stand is opened in Tacoma, the owner will have to pay a trucker to deliver fruit from the farm to the fruit stand. Which of the following resources is represented by the truck?

a) Land

b) Labor

c) Capital

d) Time

11. You have a friend who lives in a modest home and dresses in inexpensive clothing. He could afford a better home and clothing but prefers his lifestyle as it is. If you needed his help, which of the following incentives should be most effective?

a) Offer to pay him some money

b) Buy him a new dress suit

c) Convince him that he will be proud of the action

d) Take him to dinner at a fine restaurant

12. Assume you are running a hot dog stand at a summer carnival. In the last five days you have always had one-third of your prepared hot dogs left over and have had to throw them away. (You are sick of eating hot dogs.) Given the fact you want to sell all your prepared hot dogs, use your economic knowledge to decide how to sell all the prepared hot dogs.

a) Close your shop and take your losses

b) Raise your price

c) Reduce the quality (fixings) of your hot dogs

d) Reduce your price

13. You own and live in a $25,000 suburban home adjacent to several vacant lots. You would experience a social cost if the vacant lots were used for

a) A gravel pit

b) A $35,000 home

c) The same purpose (a vacant lot)

d) A model flower garden project

14. What is the role of price in an economy that uses currency for the exchange of goods and services?

a) To keep consumers from purchasing goods and services

b) To serve as a message to consumers and indicate the relative value of the economy's goods and services

c) To determine the dollar value of all the resources used in the production of goods or services

d) None of the above

15. Most Labor-Management negotiations are settled without strikes or violent disputes. Even after workers and management have been through a long, disputed contract settlement process they are able to function in their roles in the company effectively. Which of the following reasons explain this behavior?

a) They are aware of their mutual responsibility and interdependence

b) The government forces them to work together cooperatively

c) Labor and management have short memories

d) All of the above

Answer Sheet

1. B
2. C
3. C
4. A
5. B
6. A
7. D
8. D
9. D
10. C
11. C
12. D
13. A
14. B
15. A

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PART I

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B. Casebooks

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C. Reference Books

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4. Miller, Roger Leroy, Economics Today (Canfield Press, 1976, 2nd ed.).

5. North, Douglass C. and Roger Leroy Miller, The Economics of Public Issues (Harper and Row, 1976, 3rd ed.).

D. Sources of Teacher Aids for Teaching Economics

1. The Joint Council on Economic Education
   This organization publishes a series of low-cost materials on economic content and teaching strategies.

2. The Social Science Education Consortium
   This organization is a national clearinghouse for social science and social studies materials. It provides excellent materials for teachers in all social studies areas.

E. Periodicals

1. CHALLENGE A bi-monthly magazine with very readable articles devoted to the analysis of economic issues.

2. SKEPTIC This magazine has had special issues devoted to scarcity, inflation, energy and food prices.

PART II

A. Introductory Topics (Activities 1-9)

1. Introducing Economics (Federal Reserve Bank of Boston). A free 52-page booklet organized around key economic understandings.

2. Jackstadt, Steve and Yukio Hamada, The Adventures of Primero Dinero (Follett, 1971).

3. Models (Addison-Wesley, 1973). Filmstrip

4. Mrs. Peabody's Beach (Walt Disney Productions, 1974). Movie

5. Scarcity and Allocation (Didactic Systems, Inc.). Economic decision game

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7. The Economics of Productivity (JCEE, 1973). A booklet with economic analysis and teaching suggestions

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B. The Market System (Activities 11-12)

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2. Community Land Use Game (Urbey Affiliates).

3. Problems of the Cities (Teaching Resources Films, 1974).

4. The Economics of Crime (Joint Council on Economic Education, 1971)*.

5. The Economics of the Energy Problem (JCEE, 1975)*.

6. The Economics of Food Supply (JCEE, 1975)* .

7. The Economics of Pollution (JCEE, 1970)*.

8. The Economics of Poverty and Racial Discrimination (JCEE, 1972).*

* Note: all of these publications by the JCEE contain an economic analysis of the problem and teaching suggestions for discussing the issue with students.